

HELSINKI SCHOOL OF ECONOMICS
Faculty of International Business



COUNTRY BRAND MANAGEMENT AND USE OF
COUNTRY BRAND IN PROMOTION OF FOREIGN INVESTMENT
Case Finland

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ABSTRACT

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Research objectives

The objective of this research is to study the use of country brand in countries' investment promotion activities. The aspects of countries as brands and country brand management are examined as well as the actors and activities relating to investment promotion. Moreover utilisation of country brand in investment promotion and cooperation between the actors on the fields are observed. The empirical part of this research studies country brand management and investment promotion activities in Finland as well as examines the utilisation of country brand in investment promotion.

Research method

In the first part of the paper a theoretical framework is created based on brand, country brand, country brand management and investment promotion literature. The framework guided the empirical research of the study, which was a qualitative single case study including focused interviews with nine actors working on the fields of country brand management and investment promotion in Finland. In addition, documents and articles about the actors are used as complementary data. A case analysis is conducted and the results are linked to the theory in order to answer the research problem.

Findings

The theoretical part of the study creates a framework where relationship between the traditions of country brand management and investment promotion is created by suggesting that country brand acts as an enabler in investment promotion. The empirical findings highlight the shared understanding of the importance of country brand for international awareness of Finland. Currently the brand of Finland is considered nonexistent. Therefore a particular body, Finland Promotion Board, responsible for country brand management and alignment of foreign communications in Finland has recently been established. Thus, the importance of coordination and communication among the relevant parties communicating about Finland abroad has been understood, and it is seen as facilitating country brand management that is being initiated. Actors of investment promotion agree that a strong country brand would serve them in their activities of attracting foreign investors; country brand is considered to enable investment promotion. However, currently country brand or country image are not consciously utilised in investment promotion in Finland. In order to succeed in country brand management and to be able to use brand as an enabler in investment promotion, the financial and human resources, acceptance from stakeholders, cooperation and commitment need to be addressed.

Key words

Country brand, country branding, country brand management, investment promotion, Finland Promotion Board (FPB), Finland

**MAABRÄNDIN HALLINTA JA ULKOMAISTEN
INVESTOINTIEN HOUKUTTELU MAABRÄNDIÄ HYÖDYNTÄEN
Case Suomi**

Tavoitteet

Tutkielman tavoitteena on kartoittaa miten maabrändiä voidaan hyödyntää houkuteltaessa ulkomaisia investointeja. Tutkimuksessa sovelletaan maihin brändinäkökulmaa ja nostetaan mielenkiinnon kohteeksi maabrändin hallinta, sekä toimijat ja toiminnot investointien houkuttelussa. Lisäksi tutkielma pyrkii löytämään vastauksen siihen miten maabrändiä voidaan käyttää investointien houkuttelussa ja millaista yhteistyötä tämä toimijoiden välillä vaatii. Tutkielman empiirisessä osassa tutkitaan maabrändäys- ja investointien houkutteluaktiiviteettejä Suomessa sekä maabrändin käyttöä investointeja houkuteltaessa.

Tutkimusmenetelmät

Tutkielman ensimmäisessä osuudessa rakennetaan teoreettinen viitekehys, joka yhdistää tieteellisen kirjallisuuden brändäyksen, maiden brändäyksen ja maabrändin hallinnan sekä investointien houkuttelun aloilta, ja ohjaa työn empiiristä tutkimusta. Empiirisen osion menetelmänä on laadullinen, yksittäinen case-tutkimus, jonka aineisto kerättiin toteuttamalla yhdeksän puoli-strukturoitua haastattelua maabrändin hallinta- ja investointien houkuttelutoimijoiden keskuudessa. Lisäksi lähdeaineistona käytetään aiheista kerättyjä dokumentteja ja lehtiartikkeleita. Tutkimuskysymyksiin pyritään vastaamaan suorittamalla case-analyysi ja sitomalla tulokset teoriaan.

Tulokset

Tutkielman teoreettisessa osassa rakennettiin teoreettinen viitekehys joka loi suhteen maabrändin hallinnan ja investointien houkuttelun tutkimustraditioiden välille, jossa maabrändi toimii helpottajana. Tutkimuksessa tuli ilmi jaettu käsitys maabrändin tärkeydestä Suomen kansainväliselle näkyvyydelle. Tällä hetkellä Suomella ei kuitenkaan koeta olevan brändiä. Tämän vuoksi Finland Promotion Board – lautakunta on perustettu vastaamaan maabrändin hallinnasta sekä ulkomaille suuntautuvan viestinnän koordinoinnista. Vaikuttaa siltä että yhteistyön ja kommunikaation tärkeys Suomi-viestintää ulkomailla harjoittavien toimijoiden kesken on ymmärretty, ja sen koetaan tukevan maabrändin hallintaa ja jopa rakentavan pohjan prosessin aloitusvaiheelle. Myös investointeja houkuttelevat tahot kokevat että vahva maabrändi helpottaisi heidän toimintaansa; brändi siis koetaan toimintaa mahdollistavana ja helpottavana tekijänä. Tällä hetkellä maabrändiä tai maakuva ei kuitenkaan tietoisesti käytetä houkuteltaessa investointeja. Jotta Suomi menestyisi maabrändin hallinnassa ja pystyisi hyödyntämään maabrändiä investointien houkuttelussa, tulee huomiota kiinnittää mm. toiminnan resursointiin, sidosryhmien hyväksynnän saamiseen, yhteistyöhön ja sitouttamiseen.

Avainsanat

maabrändi, maiden brändäys, maabrändin hallinta, investointien houkuttelu, Finland Promotion Board (FPB), Suomi

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1. INTRODUCTION

In the current world economy, a myriad of different countries, places, institutions and companies seek the awareness of the world. Communications are speeding up, transitional and developing countries are progressing rapidly and many of them are becoming well acknowledged in the world. Globalisation has resulted in increased competition between countries for the attention, respect and trust of investors, tourists, consumers, donors, immigrants, the media and the governments of other countries (Papadopoulos & Heslop 2002).

Alongside the generalisation of branding activities in the 21st century, and the increased understanding of brands as strong emotional motivators, branding has become a means to use when attracting attention towards a country (Papadopoulos & Heslop 2002). The concept of country brand has increased in importance in today's world, and powerful and positive country brand can provide a crucial competitive advantage for countries (Anholt 2002). Therefore a solid trend of country branding can be seen at the markets and the phenomenon is getting more acknowledged and positive examples provide evidence of its effectiveness (Papadopoulos & Heslop 2002).

To be able to benefit from country branding, countries need to understand how they are perceived by global audiences, and how their failures and achievements, their assets and liabilities as well as their people and their products communicate about the country and are reflected in their country brand image (Anholt 2005a). According to Kotler and Gertner 2002, a well developed, positioned, communicated and managed country brand serves as an efficient means of getting the attention as well as attracting foreign investment. A strong brand increases the value added of a country and diminishes the risk perceived by the investors. Therefore, systematic country branding can be seen as a way to make a country competitive against other countries.

The flows of foreign direct investment (FDI) worldwide are increasing steadily alongside the deregulation of markets, privatisation of companies, and the recognition of the benefits of foreign direct investments for both home and host countries (Michalet 2000). According to UNCTAD's World Investment Report 2007, global FDI inflows rose in 2006 for the third consecutive year. This growth was shared by all major country groups: developed countries, developing countries and the transition-economies of South-East Europe and the Commonwealth of Independent States. (UNCTAD 2007)

With globalization, competition for attracting FDI is now among host-countries; it is no longer the task of foreign firms to try to access domestic markets (Michalet 2000). With this in mind, countries have established investment promotion agencies (Morisset & Andrews-Johnson 2004) that have started utilising sophisticated marketing techniques to attract foreign investments (Kotler et al. 1993, 166). Moreover, location decisions of foreign investors seem to be currently more affected by personal experiences than actual hard figures (Ernst & Young 2006). In the light of this development, a country brand can play a significant role in investment attraction.

1.1 Research gap

Here the existing literature on the topic of country brands, starting more widely from product-country marketing will be reviewed, which will help to portray the scope and depth of the research on this field. The review provides also background for the rationale behind the choice of the research gap and formulation of the research questions.

Place marketing is a major field of study. However, several authors (e.g. Anholt 2002; Papadopoulos & Heslop 2002; Rainisto 2003) point out that there is a remarkable scarcity of real life case studies and very little works that are of practical application to the policy maker attempting to promote a country for tourism, inward investment, exports or culture.

In 2001 Papadopoulos and Heslop (2002) conducted a literary review on the topic of product-country-images (PCI). PCI concept is also known as County-of-Origin concept (COO). Both concepts view country brand from the product perspective and aim to describe the attributes that the country-of-origin of a product adds to the brand image of the product in customers' minds, as explained by Nebenzahl (2004). Appreciation and preference towards French wines and high quality Japanese electronics are often used to describe the country-of-origin effect. As country image is a major component in the holistic country brand concept, the study of Papadopoulos and Heslop provides a congruent starting point for the literature review following in Chapter 2.

Papadopoulos and Heslop (2002) include in their study all PCI works, except minor non-academic or unpublished proprietary studies by business and government. They ended up with a great number of publications until 2001; a total of 766 works from 789 different authors, including seven books, 39 chapters in edited books, 361 journals papers, 326 conference papers and 33 added reports, all published between 1952-2001. When it came to the authors of the discovered literature, the researchers noticed the appliance of the 80/20-rule, meaning that a small number of authors, journals and conferences predominate the research in terms of intensity. This brings up the possibility that certain points-of-view are intensively brought to the public and possibly other issues, beyond the interest of the main contributors, may have not been receiving sufficient attention. On the other hand, large numbers of authors account for only few publications each, which reflects both the broad interest in this field and, possibly, a lower level of familiarity with the topic as well as tendency to conduct ad-hoc studies on the matter instead of writing systematically. (Papadopoulos & Heslop 2002)

The most commonly studied themes were revised by Papadopoulos and Heslop (2002). The most popular theme (25 % of the total) included rather descriptive studies examining the image of a particular country or group of countries. Unfortunately these studies contribute least to the field as they lack in ability to be generalised. 14 % of the studies were about ethnocentrism issues and research into views on domestic vs. imported goods, 10 % studied the PCI phenomena on the consumer behaviour perspective, 9 % measured the importance

of the PCI effects on other factors like price or brand, 7 % focused on the role of national images in industrial purchase decision, and finally only 3 % dealt with the role of national images in foreign direct investment (FDI) decision. Still, according to country branding literature, investment promotion is one of the central aims of country branding (Anholt 2002). As regards to investment promotion and country branding, the number of concrete examples is limited and in addition the relationship between branding and attracting foreign investors is not yet fully established and explored (Szondi 2007), and the place promotion aimed at FDI attraction remains a largely under-researched phenomenon (Capik 2007). This study aims from its part to shed light on the relationship between country branding and investment promotion.

Even if several articles have been written about country branding, a great deal of available literature is still largely and loosely embedded in traditional marketing, management and branding text books (Nworah 2005). The lack of specialised text books may results from the novelty (Olins 1999) of the topic of national branding.

After the study by Papadopoulos and Heslop in 2002, reasonably much development has happened on the field. One could say that a boom of nation branding begun in the 21st Century. A major academic breakthrough for the concept of country brand happened in 2002, when the standard *Journal of Brand Management* dedicated a two-issue publication for the topic of country branding. These two issues gathered together the major contributors and authors on the field like Anholt, Kotler and Gertner, Lodge, Olins, Papadopoulos and Heslop, and Supphellen. Furthermore, in 2004 a specialised journal called *Place Branding* was established and renamed in 2007 as *Place Branding and Public Policy*, thus emphasising the important role of public diplomacy in country branding and the fact that the discipline resides in intersection of various fields of theory.

When it comes to research on country branding, the most common topic is country branding for tourism purposes. There are two streams, tourism and agriculture, where county or place image has played a major role for centuries (Papadopoulos 2004). Numerous studies (e.g. Gnoth 2002; Hall 2002; Konecnik 2004; Morgan et al. 2004) have

examined the use of country brand as a tourism destination, as a destination brand. The third stream deals with place marketing and involvement of national and sub-national governments (e.g. Gold & Ward 1994; Jaffe & Nebenzahl 2001; Kotler et al. 1993). There are a few countries that have been often as objects of country brand studies as they have established country branding projects and strategies. These first mover countries include Australia, Canada, Ireland, New Zealand, Scotland, Spain and the UK. Recently, lot of research has been conducted regarding the developing Baltic States and the Balkan countries, which are in the transition state in their economic development, and in that sense need image building (e.g. Dzenovska 2005; Endzina & Luneva 2004; Florek & Conejo 2007; Martinovic 2002; Szondi 2007).

The research dealing with the role of marketing as a means to enhance the attractiveness of a location is remarkably scarce (Brossard 1998). There are few studies that have created the foundation of theories, upon which later authors build on. These studies include the works of Aharoni 1966a, Morisset and Andrews-Johnson 2004; Wells and Wint 1990, 2000; Wint 1992; and Young 2005. Country brand management has not yet been discussed in relation to investment attraction in a thorough manner.

In Finland, Rainisto has conducted most to the field of place marketing. He studies (2000, 2003, 2004, 2005) the success factors of place marketing and branding from business perspective, however focusing on regions, municipalities and cities. The studies on country brands conducted in the Helsinki School of Economics have dealt with destination brand management and country image from the tourism perspective (Siberg 2006, Tirronen 2005), as well as product perspective issues of country-of-origin effect and storytelling (Noor 2004, Weiste 2006).

As can be seen, the subjects of holistic country brand management and the use of country brand to attract foreign direct investment have not been thoroughly studied, and there is a need to assess the issue academically. This forms the *research gap* that this study aims to respond from its part. To conclude, the research gap consists of the practice of country

brand management in holistic, sustainable and coordinated manner, and the use of country brand to attract the foreign investors.

1.2 Research objectives and questions

The objectives of this study can be divided into theoretical and empirical ones. The *theoretical objective* is twofold. Firstly, the research takes a holistic approach towards country brand and country brand management. Moreover, the focus of the study on country brands is on the aspect of investment attraction.

Secondly, as inward investment is generally considered as a major wealth creating factor for the economy of a country, there are several public and private players whose scope of interest would involve developing country's brand as a profitable target of investment. Therefore, the activities of these involved and interested parties as well as coordination and cooperation between them will be examined. Finally the role of country brand when attracting foreign direct investments is analysed.

The *empirical objective* of this study is to test the hypotheses made in the theoretical part by investigating how country brand management is practiced in Finland, or whether attention is given to the concept. Furthermore, the objective includes investigation of use and importance country brand when attracting foreign investors to Finland.

In order to achieve the research objectives, the thesis attempts to answer the following main research question:

“How are country brand and country brand management utilised in investment promotion in Finland?”

In order to answer the main research question, the following questions emerge.

- *How are countries managed as brands?*
- *How are location decisions of foreign investors influenced by means of promotion and country brand?*

1.3 Definitions

As country branding is a rather novel field of study, standing at the intersection of several other well-established fields like marketing, public policy, trade and tourism promotion, economic development and international relations, similar or identical terms are often held to have widely different meanings (Anholt 2004a). The essential terms and concepts that are used in this study are described more explicitly below. The country brand, nation brand, place brand and location brand concepts will, however, be used interchangeably throughout the study, similarly as they are used by the academics and the practitioners of the field.

Brand

Kotler (2003, 8) begins by stating that “everything is a brand”. A brand is any label that carries meaning and associations, but a great brand does more: it lends coloration and significance to a product or service (ibid). An US-based trade association, American Marketing Association¹ defines the concept as follows: “name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition”. Thus brands differentiate products and represent a promise of value. However, this is a highly literal interpretation and may not be entirely useful to place branding as it favours product based rather than communication based orientation (Pryor & Grossbart 2007). In addition, it seems to fail to reflect the more nuanced and richer interpretations of brand, including those

¹ <http://www.marketingpower.com/mg-dictionary.php?SearchFor=brand&Searched=1>

that conceptualise a brand as a signifier of value and as having social and emotional value itself (Kotler & Gertner 2002).

Country / location / nation / place branding

Anholt (2004a) describes place branding as “the practice of applying brand strategy and other marketing techniques and disciplines to the economic, social, political and cultural development of cities, regions and countries”. Commonly used, it refers to the broad set of efforts by country government, industry groups and trade associations, aimed at marketing the countries they represent (Papadopoulos 2004). Such efforts typically intend to achieve one or more of the following main objectives: (1) enhance exports, (2) protect domestic businesses from foreign competition, (3) attract or retain factors of development and (4) generally position the place for advantage domestically and internationally in economic, political and social terms (Papadopoulos 2004). In other words, country branding means bringing added attraction to a country, and its central issue is to build brand identity (Rainisto 2003).

The concept of *destination branding* is distinctively different from prior. The aim of destination branding is to attract visitors and boost tourism, whereas *country branding* promotes economic, commercial and political, as well as tourism related interests at home and abroad. (Szondi 2007) Thus as a concept, country brand is more holistic and creative.

Foreign Direct Investment (FDI)

UNCTAD² uses the same definition on the term Foreign Direct Investment as OECD and IMF:

“FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. Further, in cases of FDI, the investor’s purpose is to gain an effective voice in the management of the enterprise. The foreign entity or group of associated entities that makes the investment is termed the “direct investor”.”

² www.unctad.org

Foreign direct investment (FDI) is investing in a country with control or influence over the direction of the investment.

FDI promotion

FDI promotion is a twofold concept, and two sets of associations are linked to it. First, FDI promotion is understood as support, i.e. as the policy measures that foster FDI location and investors' activities. Secondly, *FDI promotion in the marketing context* includes use of advertising, public relations, sales promotion, personal selling and direct marketing with the aim of securing investment projects. (Capik 2007) The second concept of promotion is in the focus of this study, and the first concept is covered only briefly.

Investment climate

Investment climate is defined by Nick Stern, former Chief Economist of the World Bank as "policy, institutional, and behavioural environment, both present and expected, that influences the returns, and risks, associated with investment" (Syed 2006).

Furthermore, investment climate consists of "factors influencing the confidence of investors. ... Many aspects of government policy, the economic situation, international politics, etc., combine to create the investment climate" (Smullen & Hand 2005).

1.4 Scope of the study

As the study covers two wide theoretical traditions, the following limitations need to be set to verify the depth and validity of the study. This study examines the concept of *country brand* holistically, but focuses on the dimension of *countries as investment destinations*, particularly as receivers of foreign direct investments, and thus excludes the thorough investigation on viewpoints of tourists, consumers, donors, governments of other countries and immigrants from the study. Due to the nature of the main research question which is to examine the utilisation country brand when attracting foreign investments, the country-of-origin image of products, country as a tourist destination and the image of exporting

companies will be exempted from the study. The topics will be discussed only to the extent they become relevant to the research area. Furthermore, this study deals mostly with countries as objects in place branding, and the perspectives of cities, regions and places are beyond the scope of this study.

When it comes to investment promotion, it is considered from marketing context to include use of various marketing activities and tools with the aim of securing investment projects. In addition, the topic of investment location decision is approached from the *internationalisation perspective* and the perspectives of *international economics* and *economic geography* are excluded from this study. Also, current study does not differentiate the merger and acquisition (M&A) and greenfield investment decisions from each other.

The empirical study will evaluate the use of country brand of Finland when attracting investors to Finland. This will from its part limit the analysis to deal with small developed countries with stable economies. In particular, the current author considers that the findings from this study can be generalised to the context of other small open economies, the so-called SMOPEC countries.

1.5 Structure of the study

The study is structured in the following way:

Chapter 1 introduces the background for the topic of the thesis as well as presents the objectives and the research problem of the study. In addition, the chapter discusses the scope of the study and defines the main concepts used.

Chapter 2 starts the literature review section of this study and thus discusses the concept and characteristics of country brand and country brand communicators, and presents

general challenges as well as motivational factors. Furthermore, the country brand management process and its phases are discussed.

Chapter 3 continues the literature review of the study and presents investment decision-making and the factors that influence the decision. Moreover, the management of investment promotion including investment promotion organisations and their activities and tool are presented. Also the usability of country brand in investment promotion is discussed.

Chapter 4 draws together the two prior chapters of the literature review and presents a theoretical framework for this study. The framework illustrates the relationship between country brand management and investment promotion activities, and suggests that coordination between these activities can enhance country brand management, which can be used to increase the awareness of the country among foreign investors.

Chapter 5 presents the methodology that is used in this qualitative single case study. Also the data collection as well as the reliability and validity of the study are addressed.

Chapter 6 presents the empirical findings of the case study. Firstly, the actors and activities relating to country brand management in Finland are presented, and secondly the Finnish actors and activities in the field of investment promotion are presented. Then the empirical data is analyzed and discussed in the context of the research problem of the study with the intention of distinguishing a relationship between the two fields of activities.

Chapter 7 presents the conclusions and implications of the study. Thus, the summary of the study is provided and main findings of the research highlighted. This chapter also contains the revised framework of the study and policy implications as well as provides suggestions for further research.

2. BRAND MANAGEMENT APPROACH TO COUNTRIES

This chapter lays foundations to the study on the use of country branding when attracting foreign investors by answering to the first research question, “*How are countries managed as brands*” The answer is developed by discussing the concept of country brand and the phases of country brand management.

More specifically, this chapter begins by applying the traditional aspects of a brand to the country brand context in Chapter 2.1.1. Then, the general features of country brands and country brand communicators are discussed in Chapter 2.1.2, and the challenges as well as motivation of country branding is presented in Chapter 2.1.3. Further, corporate branding aspects are discussed in Chapter 2.1.4. Finally, in Chapter 2.2 the discussion turns to the country brand management and its important phases; initiation and research (Chapter 2.2.1); creation of image and core idea (Chapter 2.2.2); marketing communications (Chapter 2.2.3); and management and coordination (Chapter 2.2.4).

2.1 Countries as brands

According to Kotler (2003, 8), everything that has the ability to carry associations and form meanings can be considered to be a brand. Thus countries can be managed as brands, similarly to products, persons, companies and so on. Country branding relates to the discipline of branding, and the concepts that are commonly used in branding discussions, and can be applied to country branding discussions. However, country branding is a cross disciplinary concept and besides branding it combines elements from strategic management, marketing and public policy (Anholt 2004a). The country brand comprises the outside world's ideas about a particular country, phrases Van Ham (2001), and often these ideas are based on politics and public policy.

Before continuing to the rationale and procedures of brand management of countries, the main aspects of the brand concept will be discussed in the following chapter.

2.1.1 Brand aspects applied to countries

Brands exist in peoples' minds and are more than symbols or names, they represent *everything* that a product or service means to a consumer. Hence, the real value of a strong brand is its power to form relationships and to capture consumer preference and loyalty. Brand concept has three aspects, namely brand identity, brand image and brand equity. A brand identity, which is the core of the brand, is communicated to the audience, who develops it to brand image in their minds. Further, brand image creates brand equity which is the positive differential effect the brand name has on a product, a service or a nation. Powerful brand image with high brand equity forms the basis for building a strong and profitable customer relationship. (Kapferer 1998, 90-95; Kotler & Armstrong 2006, 249-250)

The following sections present briefly the previous aspects of the brand as they are seen in the academic literature on the topic. As circumstances related to branding in public organisations and places is dissimilar than that of companies, some branding terms are decoded differently (Rainisto 2000, 45). Below, consequently, brand aspects are discussed from country branding perspective.

Brand identity. Brand identity is the centre of the brand, a unique set of associations that the brand strategist wishes to generate or attain to the brand, and it represents what the brand stands for (Aaker 1996, 68-69). Briefly, brand identity is the core concept of the product (Anholt 2007, 5). Brand identity forms brands direction, purpose, meaning and the issues that are relevant to its vision and values (Aaker 1991; 1996). Jaworski and Foshier (2003) bring front the humane aspect of country brand identity and consider that the *brand identities*, which are values and essence, of different countries diffuse throughout the populations who live, reinforce and spread these identities. Therefore, the brand identity creation and management proves to be a challenging task. This aspect of a brand is

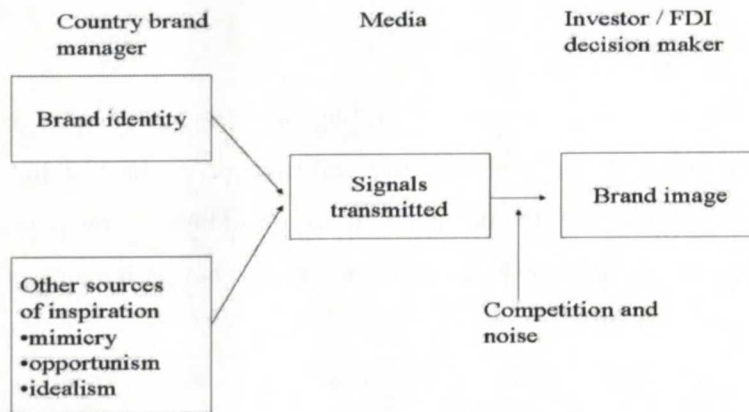
somewhat similar to the idea of national identity, but comparing the two concepts is complicated (Anholt 2007, 5).

Brand image. Every brand has an image, own unique profile, or “essence” (Restall & Gordon 1996, 78). A positive brand image is created by marketing programs that link strong, favourable, and unique associations to the brand in target audience’s memory. People experience brands not only as functional products or services but as bundles of feelings and associations. (Keller 2003, 70)

In addition, every place has an image. Even if country does not deliberately manage its name as a brand, people still have images on it. These country images are important drivers of people’s and organisations’ behaviour and guide decisions related to purchasing, investing, changing residence and travelling. Country image can be defined as a sum of beliefs, attitudes, and impressions that people hold about a certain country. It is basically the same thing as reputation, and combines various factors such as geography and history, art and music, famous citizens and other features. The entertainment industry and media are particularly important factors in shaping people’s opinions about places. (Anholt 2007, 5; Kotler & Gertner 2002)

Kapferer (1998, 94) links brand identity to brand image by stating that the identity is created on the sender’s side and image on the receiver’s side (Figure 1). Hence, when researching and managing brand image, focus should be placed on the way in which certain audiences perceive a product, a brand, a politician, a company or a country, and how they interpret and combine the messages from the sender, the media and the surrounding environment (ibid). When brand management is concerned, identity proceeds image and must therefore be defined before projecting the image to the public. Therefore country branding must begin by defining brand identity.

Figure 1 Brand identity and brand image



Source: modified from Kapferer 1998

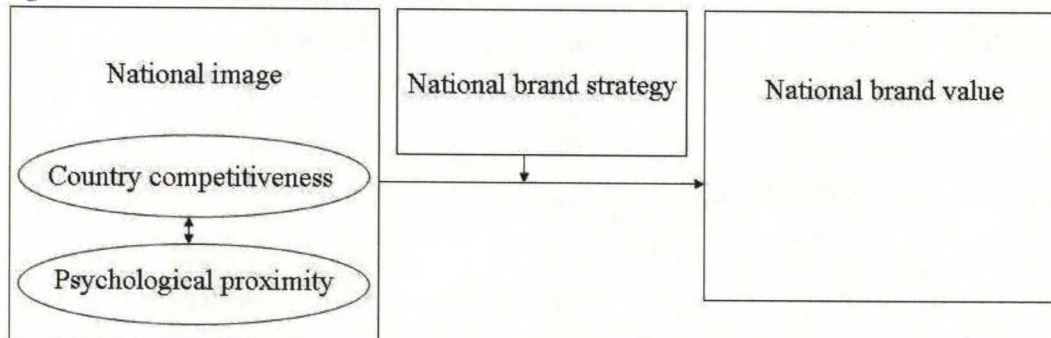
As country brand images are mental phenomena in audience's minds, they are inherently subjective by nature and different persons and groups hold different images of nations. Indeed, country images are stereotypes, simplifications of the reality that are not necessarily accurate. (Kotler & Gertner 2002) However, these stereotypical images exist, whether they are positive or negative, focused or diffuse, held widely or only by a few, developed deliberately or by default, and formed from education, the media, travel, immigration, product purchases, business experiences or some other or any combination of sources. (Papadopoulos & Heslop 2002)

In short, the image of a country determines how the world sees it and treats it. The image perceived by the world may be fully accurate, but there is a chance that it at least partly untrue. (Anholt 2005c, 105) Country image is directly associated with a country's brand (Srikatanyoo & Gnoth 2002), and therefore a country image, like any reputation, needs looking after.

Cho and Suh (2006, 105-116) present a model that builds the concept of country image to a tangible, measurable country brand that is considered to be a national asset value. In their model national brand value consists of national image and national brand strategy (Figure 2). Further, national image comprises of country competitiveness including material and

human resources, and psychological proximity, which is created by a person's knowledge, experience, beliefs and value system about a country in question. Higher psychological proximity results in higher preference, which in turn creates loyalty. Moreover, national brand strategy is broken down to actor level and includes government, corporations, private organizations and people.

Figure 2 Creation of national brand value



Source: Cho and Suh 2006, 107

Brand equity. Brand equity translates into customer preference, loyalty and financial gains. It includes many dimensions, such as performance, social image, value, trustworthiness, and identification. (Kotler & Gertner 2002)

Aaker (1991, 25) describes brand equity as “the real and / or perceived assets and liabilities that are associated with a [place] and distinguish it from others”. These assets and liabilities on which brand equity is based will differ from context to another. Aaker (ibid) found five major asset categories: brand name awareness, brand loyalty, perceived quality, brand associations and other proprietary brand assets (e.g. patents, trademarks, channel relationships).

These brand equity assets help the customers to interpret, process, and store huge quantities of information about brands. Possibly the most important aspect of brand equity is, according to Aaker (1991, 26), the power of both perceived quality and positive brand associations to enhance the customers' satisfaction. For example, knowing that a country

has agreed a foreign direct investment from a firm with valued brand image can increase the feeling of satisfaction towards the country's brand. That way brand equity assets create goodwill towards other brands. And the goodwill is regarded so valuable that it sometimes appears on major marketers' balance sheets (Jaworski & Fosher 2003).

Keller (2003, 59) considers that the whole concept of brand equity should be viewed from the perspective of the consumers, thus the heart of successful marketing lies in understanding the needs and wants of consumers, be it an individual or an organisation. Therefore, the power of brands lies in what exists in the minds of customers (ibid). Accordingly, brand equity is seen as consisting of high level of brand awareness accompanied with strong and positive brand image (Keller 2003, 67-75).

Country's brand equity is rather similar to that of products. Most commonly it has been studied from product perspective, and then "country equity" is used to refer to the emotional value that is added to a brand due to the fact that it has been produced in a certain country (Shimp et al. 1987). An example of this is the appreciation of French wines and German cars. In this study, the focus has been raised to country level, and country equity is considered as the asset value of the reputation of the country (Anholt 2007, 7). Papadopoulos and Heslop (2002) reflect that the power of country equity stems from the existence of place images. Therefore, country equity is the value that is embedded in perceptions about the country by various target audiences, and the ways in which these perceptions are used to advance its interests and those of its constituents. Further, Papadopoulos and Heslop (2002) point out that country brands have built-in equity that individuals in various target markets develop over their lifetimes. In some cases, such as those of Germany and Japan, this equity represents an asset of enormous value.

The recent growth of place branding for the purpose of attracting foreign investment, coupled with the traditional emphasis of place marketing on tourism, has served to focus attention on countries as brands and to make country equity as issue of central interest in business and within governments (Papadopoulos & Heslop 2002). The topic of characteristics of countries as brands will be discussed in the following chapter.

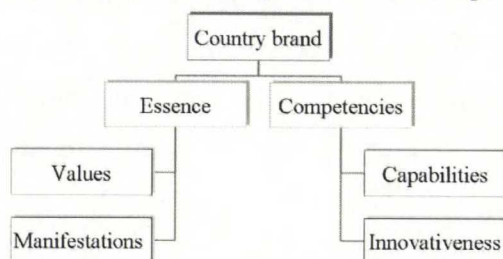
2.1.2 Characteristics and communicators

As expounded in the introductory chapter, to the novelty of the topic of country brand and the wide range of authors that have addressed the topic, makes it difficult to phrase a clear definition for a country brand. Nevertheless, this chapter presents discussion on the characteristics of countries as brands and the country brand communicators. Chapter 2.1.3 outlays the challenges in country branding and provides motivation for actors involved in country promotion to initiate conscious country branding activities.

Branding a nation is not the same as branding a company – but many of the techniques are similar; Olins (2002) begins the discussion on country brands. In principle, product and place branding is the same: it's all about identifying, developing and communicating the parts of the identity that are favourable to some specific target groups. In place branding the analysis of country identity and target group perceptions, as well as the brand building activities are much more complex (ibid). Therefore obtaining a fully integrated communication mix is a challenging task.

The place brand platform (Figure 3) is the conceptual model of a country brand that illustrates the sub-attributes of a country brand: essence and competencies (Zerrillo & Thomas 2007). Essence is understood similarly as brand identity (see Chapter 2.1.1), and consists of values and manifestations. Place branding using values tends to be intangible, and manifestations can be used to bring intangible identity to a more tangible form. Examples of manifestations of the essence of the place brands include rituals, symbols, stories, alliances, events, and shared and symbolic history. (ibid)

Figure 3 Country brand platform: the conceptual model



Source: modified from Zerrillo & Thomas 2007

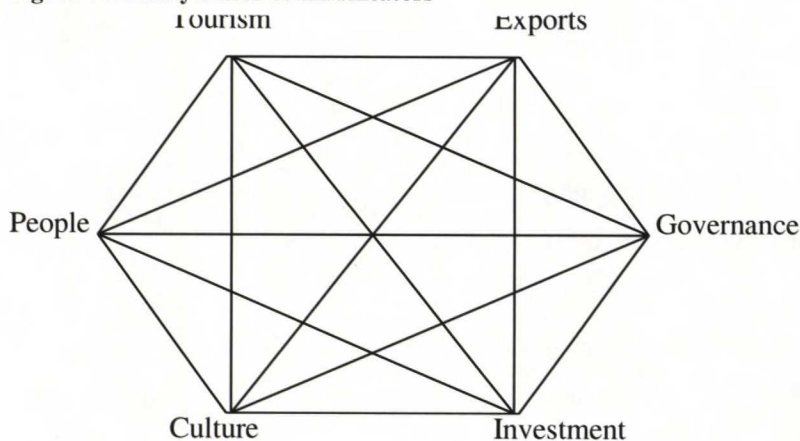
A country can be associated with a particular competency. Competencies are built on capabilities and innovativeness. Capabilities are based on policies, system processes, offerings or location-specific resources. Innovativeness is the ability to improve competencies and thus has temporal aspect to it. Country-based innovativeness is often based on location specific sector clusters. (Zerrillo & Thomas 2007)

Likewise, Lodge (2002a) continues that country brands are rooted either in *competency* – “what we do” – or in *attitude* – “what we stand for”. Competence based country brand has core competencies that have more positive influence on audience than county’s attitude. To be attitude based brand, on the other hand, a country needs to have attractive and widely known values. Values are considered very significant for countries. Thus, the country brand should reflect strongly the values identified by the people to make the brand comfortable and inspirational. (Lodge 2002a)

Countries are not the only entities in place branding. Caldwell and Freire (2004) examined the differences between branding of countries and that of regions and cities using Brand Box Model by de Chernatony. In the model the strength of a brand is measured using two key dimensions of a brand: high or low representationality (emotional evaluation) and high or low functionality (rational evaluation) (De Chernatony & McDonald 1992, 215). The main conclusion of their research was the notion that as countries entail diverse functional attributes, the main focus in country branding should be placed on the emotional or representational elements of country (attributes linked to the individual’s self-expression). On the contrary, in branding of regions and cities, which is more alike and differs from country branding, brand building efforts should be directed to functional facets (utilitarian aspects of the destination) due to the size and more specific nature of these entities. (Caldwell & Freire 2004) Nonetheless, a country brand and relevant city and region brands together build up the location brand portfolio, and the relationships between the units should provide synergy (Kerr 2006). Due to the scope of the current study, further discussion on branding other place entities than countries is excluded.

Kerr (2006) concludes that a location brand should be a sum of location's infrastructure, people, industries and quality of life. Thus, the complexity of country's communication influencers is widespread and convoluted, and it is necessary to map them out when trying to understand their functions and importance to nation's image (Gudjonsson 2005). Anholt (2004c, 215), who has been actively researching national identity and reputation for over a decade, has pursued this by developing a framework called the Nation Brand Hexagon (Figure 4). It presents the natural channels of national behaviour and national communication, thus the factors that form and shape the brand of the country and communicating it to different audiences. According to the framework, the country brand consists of people's perception of nations' tourism, exports, governance, investment, culture, and people (Anholt 2004c; 2007).

Figure 4 Country brand communicators



Source: modified from Anholt 2004c, 215

Kotler et al. (1997, 111-139) consider the same elements, though using slightly different terms and excluding tourism, as the inherent capabilities of nations. The quality of these can either be inherited or created, and they can be either static or dynamic (ibid, 112). The elements and the relationships and possible substitution and synergy effects between them need to be assessed when creating the brand identity of the country and communicating the brand.

By building the framework, Anholt (2004c) considers it essential that countries understand how they and their brands are perceived by the audiences around the world. The framework can be used to thoroughly understand how the achievements and failures, assets and liabilities and people and products of a country directly affect the brand image of a country (ibid). The points of the brand hexagon (see Figure 4) are discussed below:

Tourism. Tourism is often the most visibly promoted aspect of a nation brand, since most tourist boards are competent in marketing and have big budgets to “sell” the country around the world. However, the promoted images reflect only a small part of the reality of a country, but because these images are often so aggressively promoted, they have a disproportionate effect on people’s perceptions of the country as a whole. (Anholt 2004c, 215) The image represented by the tourism industry is often irrelevant to country’s other international initiatives, like promoting exports of investment (Anholt 2005c, 126), and should be carefully aligned with the other communication aspects to utilise its full potential (Anholt 2004c, 215).

Moreover, people who have visited the country may view it differently as they base their opinion on first hand information (Anholt 2002).

Exports. A country communicates its brand through its export products. The quality of export products has an effect on consumers’ level of satisfaction with products and services produced in a country and consumers tendency to actively seek out or avoid products from the country. Analysing these issues the appeal of each country’s “Made in ...” label can be estimated (Anholt 2004c, 215). More generally, the Country-of-Origin effect (COO) can be included in this point of the hexagon. Thus, from the investment attraction perspective, a country should be able to provide a “Made in ...” image that adds value to potential investors’ images. The country should create export controls to ensure that the export products deliver the promised level of performance (Kotler & Gertner 2002).

Furthermore, commercial brands are increasingly transmitting the national culture abroad and thus connected to the promotion of the country (Anholt 2002). Florek and Conejo

(2007) created a framework that illustrates how commercial goods might provide foundation for country brand development. In brief, a chosen export product from the country becomes an export flagship, effectively conveying the country's associations to consumers. Consumer's positive associations towards the product strengthen the COO and ultimately the country brand. Florek and Conejo (2007) embody the framework with the example of Costa Rica, who branded its coffee industry as its own, after which it quickly developed very positive image in Europe, which lead to solid economic development.

The relationship between a corporation, its brands and the nation from which it originates remains in many ways very close. Some national brands or companies are flag carriers, a source of national confidence and self-esteem. Anholt (2003) gives an example of Nokia's global technological and marketing success that helps Finns feel good about themselves and their country. Also, Florek (2005) states that indeed it is not possible to say which comes first; country image or company image, i.e. Nokia influences the perceptions of Finland, while German reliability influences the image of Mercedes Benz.

Governance. Country brand communication is practised also through national and international political decision-making. The brand of the country is affected by the competency and fairness of the domestic policy of a country, and peoples trust on country's foreign policy to make peace and security upholding decisions (Anholt 2004c, 215). The national policy, the decisions and work undertaken by the leaders of the country, which may be named *country behaviour*, communicates the brand identity (Florek 2005). Micro and macro economics are important communication channels and partly determine the competitiveness of the country. Thus OECD rankings or news about the country's economic health might prove important in shaping the country brand. (Gudjonsson 2005)

When it comes to attracting foreign direct investment (FDI), and the risk aversion of global investors, the policy issues of the host country are notably important. Particularly the lack of corruption and political stability of the government and to some extent the competency of the domestic policy with possible tax benefits, are important factors in FDI decision making. (E.g. Kotler et al. 1997; Wells & Wint 2000)

Investment. The business environment and investment climate of the country communicate about it for global business audiences. Many examples of recent rapid growth have happened because the countries have managed to attract business ventures, investment and talent (Anholt 2004c, 215). The reputation of the country as an investment destination and the amount of investments country has received communicates about the country; in addition the presence of FDI typically leads to more FDI (Wilkinson & Brouthers 2000).

Immigration is also included to this point of the hexagon. It includes consumers' willingness to live and work in a country (Anholt 2004c, 215). With free movement of human talent globally, it is vital for countries to attract more talented individuals; be it workers, retirees, intellectual talents or younger students (Gilmore 2002). If a country has managed to create a community of international people, the relocation willingness is generally higher.

Culture and Heritage. Culture and heritage are particularly strong means in country brand building. The cultural aspects of the nation brand are closely related to the country's tourism assets, or at least the potential for building it, and are not that significant for investors as perceptions of national culture may not translate directly into foreign income. However, they are important to the overall picture of a nation brand, as they impact most of the other parts of the brand hexagon. A strong cultural heritage adds depth and richness to the country-of-origin effect, it also conveys the quality of life, that directly impacts inward investment and immigration and it even affects the perceptions on country's abilities in foreign affairs (Anholt 2004c, 215). Furthermore, the heritage value of stories and storytelling in country branding should not be underestimated (Gilmore 2002). Additionally, culture is valuable in national branding as it is incontrovertible USP (unique selling proposition); a really unique and uncopiable quality of the country (Anholt 2002). Moreover, creative commercial industries where art and business merge act as highly effective carriers of cultural messages. These industries include e.g. design, advertising, music and music videos, web design, television and radio production, and magazine and book publishing. (Anholt 2002)

Also O'Shaughnessy and O'Shaughnessy (2002) bring front the cultural aspect of a country image. They base their analysis on the definition of a nation as a fixed territory inhabited by people who share key elements (values, beliefs, norms and institutions) of a common culture and possess a sense of common interests. Therefore, the brand of a nation is strongly linked to the people and culture.

People. The people dimension is very important when using the brand to attract tourists, but weights also in companies' decisions to invest to a country and hire local people. The human capital of a country is often evaluated from "business-to-business" aspect by considering the people of the country as workforce and from "non-business" aspect by fitting qualitative adjectives to people of a country in question (Anholt 2004c, 215).

Each country's citizens become the living embodiment of the brand and their actions and behaviour abroad affect the country's brand (Gilmore 2002). Likewise, Kubacki and Skinner (2005) conclude the importance of people of the nation as they state that "*what* is perceived is linked to *how* this perception is formed, and these perceptions are often made from personal contact with individuals from that nation". If properly utilised, people are the most powerful tool to be used in nation branding (Gudjonsson 2005). Moreover, the exceptional individuals can be efficiently used to shape the brand of a country, or act as spokespersons for the brand. The potential in terms of country branding is much higher than with companies, since the focus is not necessarily on leader, but can be on ordinary people who manage to achieve something exceptional. (Gilmore 2002)

Dzenovska (2005) considers that making people of the country to give life to the country brand is an essential part of the process of country branding, and simultaneously the most challenging one. People can not be ordered to accept the values and associations directed from above. Here the soft modes of exercising power can be used, as well as utilisation of visionaries and spokespersons. However, it is also valuable to educate and explain the context and relevance of the project to people (Szondi 2007).

2.1.3 Challenges and motivational factors

Challenges in branding countries

The challenges of nation branding are diverse; countries are complex entities and difficult to be included in branding discussions; they also have too many stakeholders and too little management control; there are often difficulties with resources and commitment (Morgan et al. 2004) Furthermore, country identities are often underdeveloped and they are not perceived as brands by the general public.

Anholt (2005c, 126) begins with the complexity and states that a country brand faces the challenge of turning something very rich and complex into something very simple and memorable without diminishing its richness and complexity. Countries have sub-units, areas and cities that may also be in the process of brand creation. These diverse units may be promoted quite differently for different purposes to different audiences, and the promotional shadow effects may be positive or negative. (Ashworth & Voogd 1994, 43) The major challenge of country branding in large developed countries is to integrate very large number of disparate and often conflicting brand image programmes that have evolved in various sectors over time. On top, the integration should be done across government departments, industry associations and individual firms. (Papadopoulos 2004) A requirement for successful branding is that all these agents actively participate in the development and consequent use of the country brand (Jaffe & Nebenzahl 2001, 124). However, these three main agents often do not have similar objectives. Besides diversity of objectives and goals between the actors, general difficulties include deciding on the financing of the branding project, bureaucracy, multiplicity of spokes persons, and the difficulty of reaching an agreement (Anholt 2005c; Jaffe & Nebenzahl 2001).

Brymer (2003) states that when creating a branding program for a country an integration policy that most countries do not possess is imperative. Integration policy is the ability to act and to speak in coordinated and repetitive way about different topics (ibid). Papadopoulos and Heslop (2002) agree with the need for integration. They believe that the most important challenges currently facing place branding are lack of unity of purpose,

which is caused by multiplicity of interest groups and stake holders, difficulties in establishing actionable and measurable objectives, lack of authority over inputs and control over outputs, restricted flexibility and relative lack of marketing know-how.

According to Allen (2007) management of the stakeholder groups and the role of government as dominant stakeholder stand out as challenges when applying brand theory within the place brand environment. Various stakeholder groups have different objectives which hinders the management and alignment of branding. Common and resonant understanding of brand's core attributes would provide a solid foundation on which brands strength ultimately sits (ibid). Similarly, the precise purpose of the brand marketing exercise can be far from self-evident (Ashworth & Voogd 1994, 45), and attention must be given to clarifying communication. Kotler et al. (1993, 42) point out that the main challenge in the place marketing arena is that too often the public and private interest groups do not agree on the ends and means to be pursued. This leads to problems such as overlapping and competing responsibilities.

Norrman (2004) clarifies the difficulties of implementing the promotion strategy with an example of the brand Sweden. The encountered difficulties were twofold. First was the difficulty to convince promotion authorities to work together for a common purpose to promote the brand of Sweden; instead Trade Council supported export companies, Invest in Sweden Agency promoted FDI and Swedish institute concentrated on cultural information and cooperation, only Tourist Council saw the advantages of a common approach. Secondly, brand of Sweden did not receive priority status in the government and the general idea was to let the image speak for itself; promotion felt like propaganda and it wanted to be avoided. Further, Norrman (ibid) considers that "explosive development of new media and communication philosophies and practices" have changed world so that being noble and letting the reality to speak for itself is no longer enough to get world's attention and there is a need for active promotion.

However, Gregory (2001, 16) states that centralized control and consistency in all the brand communication are essential in order to protect the value of the brand. Yet, taking into

consideration different target groups of the brand, a degree of decentralization is needed to fully be able to adapt the needs of customer segments (Gregory 2001, 16). For case of country brands, the diversity of customer segments is remarkable and this diversity represents an important factor in the whole brand management process.

From the marketing perspective, an important notion is that unlike product brands or corporate images, the images of countries are beyond marketer's control. The country brand is formed from multitude of sources, they are readily available and consumers routinely use them to make sense of the surrounding world (Papadopoulos & Heslop 2002). Kotler and Gertner (2002) acknowledge the complexity and explain that a new product comes into existence with "tabula rasa", to which set of associations can later be mapped. Even after the product launch, companies can make modifications according to customer needs. Countries, however, are more restricted in altering their place brands. Example given is the obvious difficulty of replacing beaches with mountains or starting growing exotic fruits at the Nordic altitudes. Even if it might be possible for a nation to attract more foreign direct investment or shift its economic base, however, there will always be some constraints over which it has no control. Further, products can be discontinued, modified, withdrawn from the market, re-launched and re-positioned or replaced by improved products; places do not have such choices. Their image problems are often structural and take years to fix and change. (Frost 2004)

The main challenges for smaller and developing countries in particular are lack of necessary resources needed to design and implement professional branding and marketing programmes. Also, their strengths and assets may be more limited, which often leads to niche marketing. (Papadopoulos 2004)

Furthermore, branding process is long lasting and requires commitment. However, Van Ham (2001) considers that most countries have understood country branding correctly as a long term activity and that eventual cumulative effort will influence foreign investment decisions and the country's market capitalisation.

Finally, the context of branding itself has always been a rather controversial and a conversation evoking issue, it raises lot of negative reactions especially when applied to countries and country images, remarks Olins (2002). He has observed that branding places is an emotive subject and people tend to get upset about the very idea of a national brand. Nonetheless, countries have been branding themselves systematically and deliberately for many centuries: what appears to bother people is simply the vocabulary (ibid). A less emotive phrase, and perhaps a more accurate way to describe this work, would be reputation management (Olins 2005). Similarly, Anholt (2007) has in his latest book *Competitive identity; The new brand management for nations, cities and regions* replaced the term country brand with the term Competitive Identity. Current study will anyhow discuss the phenomena with the term country, nation or place brand.

Even though the challenges and difficulties of country branding seem diverse, there seems to be adequately motivating reasons and need for initiating country branding activities. These motivational aspects are discussed in the following.

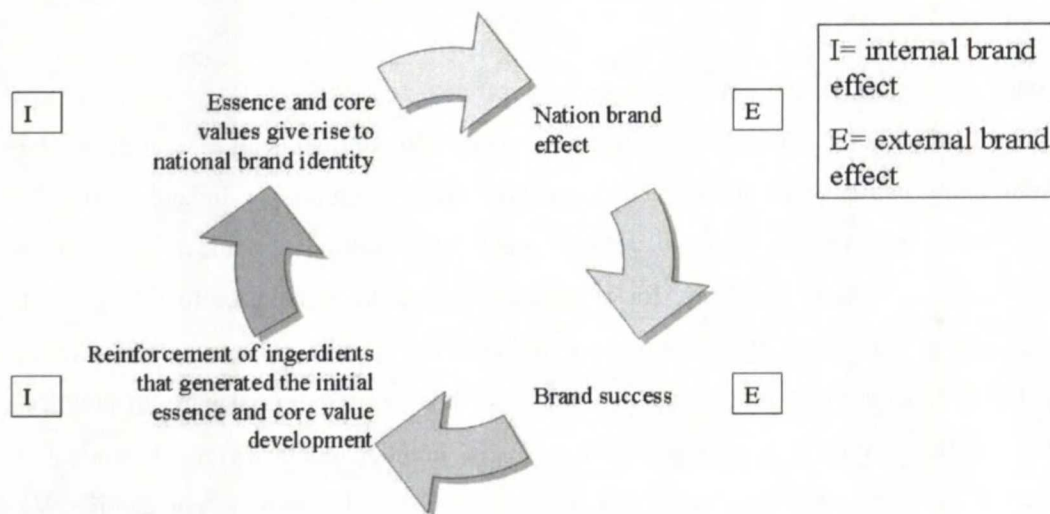
Motivational factors for branding countries

Nowadays individuals, firms, cities, regions, countries and continents all market themselves professionally using, sometimes even aggressive, sales techniques. Indeed, Van Ham (2001), researcher of international affairs, states that having a bad or non-existent reputation is a serious handicap for a country trying to remain competitive in the international arena. Attracting economic and political attention to an unbranded country is challenging and therefore image and reputation are becoming essential parts of country's strategic equity. Equally as with branded products, branded countries are dependent on customers' or target audiences' trust and satisfaction. From the political perspective, Van Ham (2001) adds that creating a country brand by utilising for example history, geography and ethnicity is a complaisant campaign and leads to positive anti-nationalistic development that differs from nationalism which is often accompanied by antagonistic sense of national identity and uniqueness.

On European level, globalisation and harmonising effects of European integration put pressure to countries to develop, manage and leverage their brand equity. In particular, the emerging countries in Eastern Europe acknowledge the fact that most of them offer similar “products”: territory, infrastructure, educated people, and almost identical governance structure. They have realised that standing out from the crowd requires assertive branding activities. (Van Ham 2001) Further, Jaworski and Foshier (2003) consider that a powerful and well-managed nation brand will become more of a necessity than a benefit as the global competition between the countries increase. Olins (1999, 21) considers that an identity programme can also act as a catalyst for change.

The ultimate goal of the country brand is to contribute to the welfare of its citizens (Florek 2005). Besides increasing the competitiveness of the country, country branding aims to enhancing the self-esteem and self-confidence of the nation (Endzina & Luneva 2004).

Figure 5 Nation brand effect



Source: Jaworski & Foshier 2003

Jaworski and Foshier (2003) discuss the phenomena under the name of The Nation Brand Effect (NBE) that has both internal and external effects. They conclude that when properly managed; nation’s people, beliefs and history give rise to nation’s brand identity, which in

turn gives rise to NBE, which again sustains and reinforces full cycle of both internal and external brand building (see Figure 5). Germany and successful German companies often setting standards for quality and innovation is given (Jaworski & Fosher 2003) as an example of the phenomena. A strong brand image and economic progress unfailingly go hand in hand, claims Anholt (2005c, 11). He (ibid) continues by saying that although it is usually true that image is the consequence of progress, rather than vice versa, it is equally true that when both are managed together carefully, they help each other along and create accelerated change. To continue, place branding is an extremely complex and highly political activity that can enhance nation's economy, national self-image and identity (Morgan et al. 2004, 14).

2.1.4 Corporate branding perspective

Several authors (e.g. Allen 2007, Dooley & Bowie 2005; Kerr 2006; Lodge 2002a; Olins 1999; Rainisto 2003) concur that country branding differs greatly from branding a product and instead has similar features with corporate branding. This chapter presents first the practice of corporate branding, and then compares the practices of corporate and country branding.

Corporate branding refers to the practice of using a company's name as a product brand name. It attempts to leverage corporate brand equity to create product brand recognition. According to Kotler (2003, 27), the main prerequisite for corporate branding is for the company to stand for something, whether it is quality, innovation, friendliness, or something else. Corporate brand consists of advertising as well as of great performance and PR (ibid).

Schultz (2005, 29) considers corporate branding as cross-disciplinary construct and claims that it draws on principles and ideas from multiple fields, not only marketing but additionally from the disciplines of visual identity, communication studies, organisation theory and strategy. Hence, a more complete analysis of application of the principles of the corporate branding to places would also have to trace the influence of strategic

management, visual identity, organisational design, or corporate communications outside the corporate realm (Csaba 2005, 130).

Kerr (2006) sees location brand similar to corporate brand model to the extent that it should also be managed from the top and a strong emphasis should be placed on relationships within its brand architecture and portfolio.

From a corporate strategy perspective, the similarities between corporate and country brands are placed in a historical context by Olins (1999), who states that companies and countries learn from each other, and believes that finally corporations will mutate into national institutions and nations into brands. Both, corporations and nations, seek prosperity and stability and thus their interests are somewhat similar, and they are increasingly overlapping, collaborating and seeking strength from each other (Olins 1999).

However, Lodge (2002a) asserts that as the rather recent phenomenon of country branding evolves further, it begins to develop its own rules and approaches and as practitioners gain experience of the trend, the similarities with corporate branding are fading and new philosophy starts to emerge.

2.2 Country brand management process

For Aaker (1996, 357) the main points of strategic brand management are clear and efficient brand identity, positioning, long-span actions and existence of brand management organisation. Kotler and Armstrong (2006, 256) consider that a major issue in brand management is the positioning of the brand, and communicating it continuously to the customers. Nworah (2005) considers brand management from country brand perspective as a process by which a country actively seeks to create a unique and competitive identity for itself, with the aim of positioning the country internally and internationally as a good destination for trade, tourism and investment. According to Anholt (2005a; 2007, 7), brand management is applied to the context of countries in order to manage the internal identity

and the external reputation of the country, and to align the existing communications, rather than to sell the place to the world market.

Moreover, country branding activities aim to govern three registers. First, the activities of the institutions and individuals that affect the brand need to be aligned. Secondly, branding entails acting upon the conduct of potential investors (as well as tourists and consumers) in a manner that leads to a purchase decision. Thirdly, country branding aims to affect the individuals who constitute the nation so that the whole population begins to “live the brand”. (Anholt 2004a) The first and second registers are handled by coordination, which is considered as the practical scheme through which institutional and individual behaviour can be aligned without intruding upon national, institutional or personal autonomy. (Dzenovska 2005) The third register is the most challenging one, since getting people to act as the sales representatives of their country requires use of soft power and experts and visionaries. Furthermore there are serious limitations of know-how in this regard. (Anholt 2004a)

The phases of country brand management that were derived from the literature (Domeisen 2003; Kotler & Gertner 2002; Olins 1999, 23-26) consist of *initiation of the project*, *image research*, *formulation of the core idea*, *creating marketing communications* and *management*. In the following chapters these most important phases of country brand management are examined in detail.

2.2.1 Process initiation and research

First the readiness of the country to be branded should be confirmed. The country should not initiate branding activities if its conditions are not stable and country improvement work needs to be done. The total success of nation branding depends on the appropriate analysis of work ahead, a careful planning of the brand structure and its relevant communication (Florek 2005). Also Jaworski and Fosher (2003) bring up the importance of planning and add that similarly to any successful brand, country brands must have a strong, proactive and well planned path of evolution that will take into account numerous vital factors including relationships, goals and specific targets, nation brand effect (NBE) over decades (see Chapter 2.1.3), political and geographical factors (past, current, projected) and

socio-economic and demographic trends. In addition, countries should also be able to correctly discover the impact they have on consumers, market and society (Jaworski and Fosher 2003).

A work group that guides and coordinates the development of the national brand needs to be created. Ideally it should consist of politicians, civil servants, industry representatives, media, educators and figures from the sports and arts. (Domeisen 2003; Olins 1999, 23) A country branding program starts typically from the communication ministry and public affairs department, who conduct an analysis of the country's achievements and national advantages (Anholt 2004b, 35-36). However, the initiative for national branding does not have to come from the government, but can equally be initiated by a trade or tourism promotion organisation (Anholt 2005b). The work group should exhibit cooperation between departments, be properly resourced and possess commitment from the state. Furthermore, it must be participative. (Yan 2003) Also nation's leader's involvement is important; firstly, it highlights the importance of the marketing program and invites government agencies to join. Secondly, the leader's personal involvement in promoting the nation for FDI impresses the heads of MNC's. And thirdly, this high level of commitment is needed to motivate the internal stakeholders of the country, including the businesses, arts, sports communities as well as the people. (Quelch and Jocz 2005)

Kotler and Gertner (2002) state that strategic place marketing concerns improving country's position in the global market place. This requires understanding of the strengths and weaknesses of the country in competition with others. Thus, a country needs to carry out SWOT analysis to determine its primary internal strengths and weaknesses. These include e.g. size of the domestic market, access to trade areas, education of people, tax incentives, skills and cost of the labour, and security. In addition, the opportunities and threats posed by competitive environment should be analysed. (Kotler & Gertner 2002) Based on the results of the SWOT analysis, correct position can be determined (Domeisen 2003). Brymer (2003) suggests comparing the found strengths and weaknesses with those viewed by the opinion leaders. In addition, market research should benchmark awareness, knowledge and perceptions of the nation among the key stakeholder groups both abroad

and at home. To perform corrective efforts, the gaps between reality and perceptions need to be identified. (Quelch & Jocz 2005) Brand image building can be viewed as the process of closing the gap between a desired brand image that is reflected from the brand identity and the image that is perceived by the target group (Kapferer 1998).

2.2.2 Country image and creation of core idea

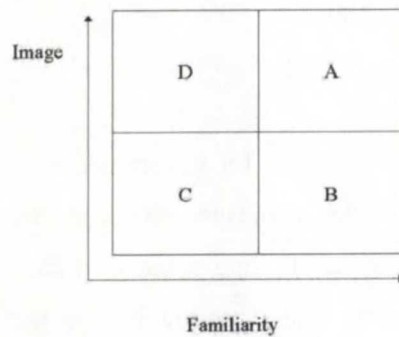
Brand image is the most valuable component of brand management for governments, or other bodies involved in country branding (Anholt 2007). Kotler & Gertner 2002 consider *strategic image management (SIM)* as an ongoing process of researching country's image among its audiences, segmenting its demographic audiences and targeting its specific image, positioning country's benefits to support the current image, or creating a new image, and communicating those benefits to the target audiences. As place images are identifiable and develop with time, the underlying principle of SIM is that the marketer must be able to distinguish and influence the image held by different target groups. It must be ensured that the image is close to the reality, believable, simple, appealing and distinctive. (Kotler & Gertner 2002) The proper management of country's image can create competitive advantage to its business institutions; nevertheless more knowledge on image management tools is still needed. (Jaffe & Nebenzahl 2001)

There are three different situations for countries to develop their images. These three situations are: need to be introduced; need for the country image to be targeted to a right audience and; need to be corrected, which may mean expansion, enhancement, revitalisation or improvement of the country image. (Anholt 2007, 67) However, Kotler and Gertner (2002) comment that in order to improve a country's image it may be easier to create new positive associations than to try to refute the old ones.

In addition, the familiarity of the country among the target audience has a substantial effect on the image, state Rope and Mether (1987, 140). They present an image-familiarity matrix that is used to examine the relationship between the familiarity of an organisation and the strength of its image (Figure 6). Originally the matrix was developed to a company context,

but it can be adapted to country image estimation as well. By utilising the matrix, the relevant actions and improvement areas in the image of the country can be mapped out.

Figure 6 Image-familiarity matrix



Source: Rope and Methner 1987, 140

Countries can be placed on the four fields of the matrix according to their familiarity and image. When preceding the horizontal axis, the familiarity increases and climbing up the vertical axis the perceived image recuperates. Country located in the field A can be described as image leader; it is widely known and has very positive image. It has a strong base for proceeding with the image building. Country situated in field B is perceived to have bad image; it is widely known but has either no face or has a bad image for some reason. In this case the challenge is not to increase the familiarity but to work to improve the image. Country C is unknown and its primary task would be to increase familiarity. The country in field D is a potential image leader due to its good image or reputation. The challenge would be increase the awareness among its audience. (Rope & Methner 1987, 140) Similar matrix in a destination brand context is presented by Morgan and Pritchard (2004, 65-67). In their matrix, country brand's celebrity is measured on the axes of emotional appeal and celebrity value.

According to Anholt (2005c, 110) countries such as Finland, Ireland, Canada and Belgium are minor country brands in their own right and may communicate something to some people. However, their meaning is less clear, powerful and global than top country brands. Thus they could benefit from increased awareness.

The core idea of the country brand needs to be created to be powerful and simple, so that it captures the unique qualities of the nation and can be used as a base for the entire branding process (Olins 1999, 24). Therefore creation of this *unique selling proposition (USP)* for a country is a vast task. The USP of a country should give to the world a vivid and compelling reason to buy everything a country has to offer. It has to be all-encompassing yet focused, based on credibility and yet be aspirational, have the sophistication to attract the world's attention and persuade it to buy, and be acceptable to the indigenous population. (Lodge 2002a)

The presentation and the messages of the core idea should be coordinated, and the main public and private sector actors dealing with tourism, exports and investment should convey the core message in their marketing (Domeisen 2003). However, different target audiences and place buyers have different motives and needs, thus the message needs to be differentiated (Anholt 2007, 20). As a nation offers a fragmented set of images, the key is to exploit the right fragments in line with the target customer audience (O'Shaughnessy & O'Shaughnessy 2000).

Positioning in the case of countries can be pursued based on the physical, geographical location and the comparative strengths the country has to offer (Gilmore 2002; Lodge 2002b). Positioning of a country has to be exact and imaginative; exact to be credible and imaginative to be individual and to remedy the possible problem of untrue position (Lodge 2002a). Clear positioning helps nations to avoid the competition on price (Quelch & Jocz 2005). Moreover, Lodge (2002a) considers that positioning is often the biggest problem a country must seek to improve, if the country is to pull itself out of "the wrong set" geographically.

2.2.3 Marketing communications

The nature of countries as brands demands a variety of brand marketing strategies (Van Ham 2001) and techniques. Most obvious techniques are advertising, direct marketing,

personal selling, use of websites and brochures, as well as utilisation of public and media relationships and cooperation between destination marketing organisations, journalists, event organisers and celebrities (Morgan & Pritchard 2004, 59). In some cases, promoting a country involves identifying spokes people, product brands and events that can favourably influence public opinion in other countries (Van Ham 2001).

Moreover, place promotion that was defined by Gold and Ward (1994, 2) as “the conscious use of publicity and marketing to communicate selective images of specific geographic localities or areas to target audience”, not only involves advertising and publicity but in addition encompasses “flagship” developments and “spotlight” events in the arts, media, leisure, heritage, retailing or sports industries.

Place promotion advertising is used to create and sustain awareness. Therefore, advertisement is viewed as the first step, and is followed by distribution of brochures and public relations activity. Thus it is suggested that the style of the advertisement should have a great visual impact of powerful expression of a single key idea. (Gold and Ward 1994, 6)

Creation of a catchy slogan, visual images or symbols and organising events and deeds are efficient tools in country branding process (Kotler & Gertner 2002). The purpose of a country brand slogan is to communicate key descriptive features of a country in a persuasive manner, ergo to build brand image and awareness. To do this the slogan should focus on some of the most important associations of the desired image, usually some benefit of the country, and aim to increase the uniqueness of these associations. The benefits that are brought up in country brand slogans are often experiential, such as “*Cool Britannia*” and “*Amazing Thailand*”. It might also highlight the symbolic benefits of the country whereas functional benefits are often more important to consumer brands than country brands. (Supphellen & Nygaardsvik 2002)

Also the way of articulating the central idea visually should be developed. Gilmore (2002) insists on the importance of the graphic symbol of the country that can be used in various circumstances. However, it should not only consist of logos and tourist ads, but everything

from the design of airports to the embassies that represent the country abroad. (Olins 1999, 24) Furthermore, others (e.g. Allen 2007; Anholt 2005c; Nworah 2005; Olins 2005) consider the overall coherent message more important.

In addition, the visual images and symbols may be more influential in building awareness than image (Supphellen & Nygaardsvik 2002). Moreover, country image is never built nor changed by spending huge amounts of money on logos, slogans and advertising campaigns but by having a good strategy and investing in change. At the end, it comes down to creating a culture of innovation in the public and private sectors. (Anholt 2005b)

Mega-events are frequently used to kick-off branding campaigns or promote countries (Szondi 2007) and event organisation and participation to world events is seen as an important way of getting the world's attention towards a country. An event that has been often used for efficient country communication and promotion is the Eurovision Song Contest where millions across Europe are tuned into the singing contest (Szondi 2007). Walvis (2003) considers that world expos are utilised more widely and more strongly as a platform to enhance national images through experiences gained at country pavilions, and his study on Hanover Expo 2000 presented improving national image as the primary goal for participation for the countries.

There are other ways to project images and influence people's behaviour, such as public relations (Ashworth & Voogd 1994, 45). Generally, the activities related to national image or country brand have been reactive; promotion and PR are focused on immediate requirements. However, such measures create simply short term benefits, not necessarily long term fundamental development or value improvement of country brand. (Cho & Suh 2006, 111)

Communication is a fundamental part of a nation's competitive advantage and of country brands' competitive environment (Gudjonsson 2005). Country communication equities that can be used in brand communication as ground for storytelling and strong branding include

historical and political events, particular individuals, certain industries, and physical landmarks like bridges and buildings (Gilmore 2002; Kotler & Gertner 2002).

Having a consistent brand person who acts as a spokesperson for the nation is not an easy task due to the multiplicity of the images related to the country. However, it is not impossible and in fact can inject life into the brand and feed fantasies to stakeholders, so that feelings of loyalty develop more easily. (O'Shaughnessy & O'Shaughnessy 2000)

Media can be used as a source of stereotypes for country marketing to draw from. For example perceptions of national success, whether in economic, military, event organising or sporting areas are useful in giving that nation more visibility worldwide (O'Shaughnessy & O'Shaughnessy 2000).

Finally, it must be ensured that advertising and marketing communications are not the actual result of place branding, but means among which to select the suitable actions to represent the place in its true light. Marketing communications thus play a role of certifying that these actions are properly showcased. (Anholt 2004a) Moreover, Johnson (2006) quotes Anholt and states that building a nation brand has "nothing to do with marketing communications; it is about stakeholder communications". In order to manage its image a country needs a centralised, coordinated central strategy involving all stakeholders (Anholt in Johnson 2006).

2.2.4 Management and coordination

Kotler et al. (1997) present in their book *The marketing of nations; A strategic approach to building national wealth* that nations in their pursuit of economic development can be considered to be functioning like businesses, and therefore nations can benefit from the strategic marketing management approach. Here the strategic marketing management is understood as a constant self-correcting process that consistently considers where the nation is heading, where it wants to be heading, and how it can get there (ibid).

In branding process, after having created and positioned the country brand, its development needs still to be actively managed. When being branded, the countries are said to be like large corporations that produce different products in multiple different product categories, i.e. holding company managing sub-brands (Anholt 2005c, 125).

The desired outcome when managing a country brand is a bundle of distinct strategies under one umbrella, one for each of several outputs of the country, that can be distinguished from each other but still coordinated together so that they do not conflict. A place brand behaves like a manufacturer's brand and provides an umbrella of trust and promise of quality for the target audience. (Anholt 2004b, 26-27).

As the country branding program evolves, its performance should be tracked and compared to nations that are approximately same sized or trying to attract same target audiences. Also working towards strong rankings on international scorecards, such as the World Economic Forum's National Competitiveness Report and the European Commission's Innovation Scorecard can prove valuable. (Quelch & Jocz 2005)

Coordination can be used to animate the activities in a compatible logic. Coordination is a practical scheme through which institutional and individual behaviour can be aligned without intruding upon national, institutional or personal autonomy. (Dzenovska 2005) Like mentioned before, the process of strategic place marketing must involve cooperation and a shared vision among different actors: government, citizens and businesses (Kotler & Gertner 2002), since the problem is that in most countries, country promotion is carried out by several agencies, ministries, special interest groups, non-governmental organisations (NGOs), companies and other bodies, that all promote their version of the country. Most of these bodies are working in isolation and, therefore, they may send out conflicting or even contradictory messages about the country, which results to a non consistent country image and hinders the development of the overall reputation of the country. (Anholt 2007, 2-3)

In addition, creation of a powerful country brand requires constant investment to the place itself, which in turn requires commitment, collaboration and effective synergy among the

main communicators of the country's image (Anholt 2004b). The most important and needed thing for the branding program is credibility. In order to receive credibility in the eyes of its stakeholders, it may have to be supported by real physical infrastructural changes, promotion of strategic industries using tax incentives, attraction of venture capital, encouragement of creativity and innovation, and signing citizens who have international profile together with opinion leaders to be brand ambassadors. (Gilmore 2002)

Moreover, it must be understood that country branding is a long lasting process. A 20-year time frame is realistic, Domeisen (2003) suggests. However, the time frame needed depends on the current situation of the country. For example transition economies can manage a brand image change in five to ten years; whereas for the least developed countries (LDS) that have strongly negative brand images, and thus need the change the most, it can take much longer (Anholt 2005b).

National branding campaigns are inevitably inspired at least partially by governments, and governments tend to prefer quick results, as often they do not stay in power for very long, Olins (1999) claims. This increases the risk of short term planning and inconsistency in the message. Therefore the cooperation and coordination with private sector is highly beneficial, both to strengthen the longevity and the relevance of the country brand.

Financial resources must be established for creating the spirit, motivation and knowledge for the place marketing process (Rainisto 2003, 236). Sufficient national funds should be allocated to each branding activity considered possibly to have an impact (Kotler & Gertner 2002). Lack of sufficient funds and personnel increases the difficulty of running a customer oriented program. A change in staff means losing contacts as well as experience and know-how. (Smith 2000)

2.3 Summary

In this chapter has aimed at answering the first research question. It is considered that the channels of national communication that shape the country brand consist of tourism, exports, governance, investment, culture and people. In addition, brand management efforts should be applied to countries because creating a unique, positive and differential brand image creates possibilities for countries to be distinguished from others in today's world where globalisation and deregulation have increased competition for investments between countries. In addition, country branding is seen as an internal booster of the self confidence of a nation and its inhabitants.

Country brand management is suggested as a way of managing the internal identity and external reputation and aligning the existing communications. Country brand management entails nominating a work group and conducting a SWOT analysis and image research abroad. It is suggested that brand image and the core idea of the brand reflect the reality but are also appealing. Even if several marketing communication methods such as advertising, slogan, events and PR, can be utilised when branding a country, it is considered that country branding should consist more of coordination of activities and messages of the country brand communicators. Issues such as investments in place development, long time scale of the branding process and funding requirements need to be taken into consideration.

3. INVESTMENT PROMOTION AND COUNTRY BRAND

The decision to enter a foreign market through foreign direct investment depends on the consideration of a large set of economic, political and cultural variables. Typical treatment of these issues in the international business literature focuses on factual “supply” side considerations, e.g. labour and transportation costs, taxation in the target country. In this study the focus is instead on the softer, qualitative aspects of the target country and country brand image that from their part affect the investment decision. This chapter provides the answer to the second research question: *“How are location decisions of foreign investors influenced?”*

The global investment climate has faced four important changes in the past 30 years; first was the geopolitical change of the end of the Cold War in 1990, which led to opening up of several previously isolated countries and created a strong competition for attracting international capital. Places like Russia, Estonia, China, Vietnam and even Cuba were suddenly trying to attract foreign investment, realizing its efficiency in developing their economies. Second development was ideological and led to deregulation of economies and to privatisation of state owned companies. This increased the amount of international capital pursuing these investment opportunities. Third development was technological and resulted to on-time information and increased the amount of participants on the global investment environment. And finally the most recent development was financial innovation which led to increased amount of investment possibilities. (Pantzalis & Rodriques 1999)

Along these changes countries have gradually and increasingly started utilising marketing to make them more attractive and competitive in the eyes of foreign investors. Indeed, Pantzalis and Rodriques (1999) propose that these days the movement of international capital is influenced by investors’ perceptions of countries as brands, and that positioning and brand management have become critical in attracting global investments, and affect the way capital may flee a country in crisis situations. While the country brand management and positioning was discussed in the second chapter of this study, this chapter covers

foreign direct investment (FDI) decision-making process, investment promotion actors and their activities and finally discusses the effect of a country brand on the investment decision.

While some continue to view FDI with scepticism, primarily on social grounds, the fierce debate of earlier decades on its economic merits in and among government, business and academics appears to have been settled (Papadopoulos & Heslop 2002), and the benefits of foreign direct investment for the host country are widely known and accepted. These include creation of new jobs, tax revenues and complementary industries, and new exports resulting to economic growth; in addition it can increase the confidence of other global investors interested in the country (Kotler & Gertner 2002).

Most of the researchers who study FDI do not consider “soft” factors such as images of target countries, regardless of the fact that studies of investment decision making (e.g. Aharoni 1966b; Luostarinen 1979) shows that business decision makers are in fact influenced by such factors. (Papadopoulos & Heslop 2002)

Before examining the promotion efforts and brand that can be utilised to affect favourably to the investment decision, the foreign direct investment decision-making process needs to be introduced.

3.1 FDI location decision

In this study the FDI location decision is viewed as choosing a location among a group of alternative locations. The decision on the entry mode, here namely the FDI, will be conducted prior to choosing the target country for the outward investment.

An evaluation of different FDI strategies of firms will be exempted from this study. However, it should be noticed that firms planning to invest can be divided to two different categories: the firms who must invest and are only looking for the best possible location

and the firms who may choose invest but also consider other entry modes, and additionally search for the best location. Therefore inward investment attraction must be targeted to both, the resource seeking companies and to the companies currently present at the country through another entry more. (Papadopoulos & Heslop 2002)

Investment decision-making occurs when no single location option is superior to the others in every respect and there is a need for deliberation on the relative merits of the options to decide trade-offs (O'Shaughnessy & O'Shaughnessy 2000). Current author believes that a brand can have an effect in this kind of situations. This decision-making process will shortly be reviewed in Chapter 3.1.1.

3.1.1 Investment decision process

Little academic research has been made to develop or probe any coherent perspective of FDI decision making. An exception is the pioneering work of Aharoni (1966a) which yet today has faced no rival encompassing theory or theoretical framework. (Björkman 1999, 33)

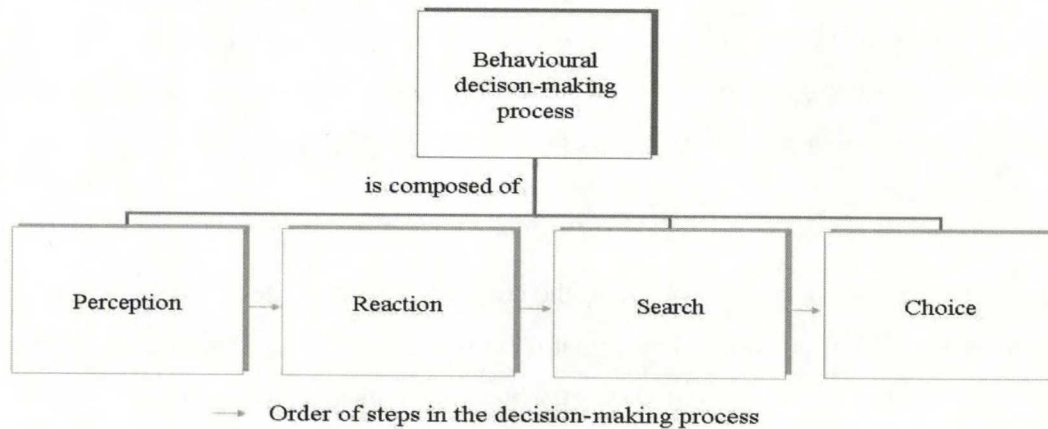
In the literature of FDI location decision three perspectives can be identified: *international economics perspective*, *economic geography perspective*, and *internationalisation perspective*. The first perspective focuses on rational decision-making including strategic consideration (e.g Björkman 1999), the second on location selection criteria at micro and macro level (e.g Tahir & Larimo 2004), and the third on the human behavioural factors of learning and experience affecting the decision-making (e.g. Aharoni 1966b; Luostarinen 1979).

Due to the nature of the research topic, here the analysis of FDI decision-making is most relevantly conducted by utilising the *internationalisation perspective* with the emphasis on the behavioural and interpretative decision-making perspectives.

Luostarinen (1979, 33-34) introduces a model of behavioural decision-making process that he modified from the work of Cyert and March (1963). In the model the cognitive factors

play a major role by determining the initiation, nature and structure of the process (Figure 7). The *perception* of an impulse initiates a *reaction* to the *search* of information leading to the *choice* (Luostarinen 1979, 33-34).

Figure 7 Components of the behavioural decision-making process of the firm



Source: Luostarinen 1979, 34

From the interpretive perspective, strategic decision-making is viewed as being guided by beliefs that are held by the organisation members (Björkmann 1999, 33). This attaches more interpretative knowledge, such as intuition, mental modes, experiences, faith, values and beliefs than rational facts to decision-making. In addition, literature in the field of psychology has produced a term of *emotional intelligence*, which emphasises the importance of feelings and emotions to rational decision-making (Carr & Pihlanto 1996, 22).

According to the study of Aharoni (1966b), investments are rarely the result of a single, clear-cut decision; rather they are formed through accumulated initiatives, explorations, commitments and human influence. Moreover, Wikman (1997, 336-339) remarks that in several investment decision situations, the decision can be regarded as *inspiration decision* that is based on personal judgement and consideration of the decision maker, and investment calculations are utilised merely as supporting evidence. As a result, Wikman (1997, 333-334) presents the importance of qualitative information, which is based on

future predictions, respects of the decision-maker, preferences, visions, ideas, intuition, previous experiences and information gathered during a period of long time.

Consistently, Papadopoulos and Heslop (2002) argue that a country image plays an important role in investment decision-making influencing the decision maker. They justify their argument with their findings from research from PCI perspective, where decision maker's personal views of target countries, and related influences from personal contacts with competitors, customers, suppliers, distributors and others play a pivotal role in target country selection.

Due to the importance of country image in the decision-making process, it should also be managed with a help of branding strategy that is set to bring out the best and most relevant image of the country. If no attention to country branding is given, target markets are likely to continue inferring a country's image from inappropriate or irrelevant associations, often carried from childhood onwards, thus weakening its international position. (Papadopoulos & Heslop 2002)

Furthermore, when it comes to investment decision-making, the marketing concept of *evoked set* needs to be taken into consideration. All purchasing (and investment) decisions are made between countries that are on the mental shortlist, which is limited in length. So if the country is not placed on the shortlist of the decision maker, it has no chances of being the target of the investment. As a result, if a country wants to attract more investors, it needs to get to the shortlist of the investor, and often the competition over the places at the list is fierce. The country needs to become more attractive than the competing countries; simply increasing the attractiveness is not sufficient. (Anholt 2007, 81)

Nevertheless, the research regarding the effect of country brand on FDI decision is limited as most of the research has dealt with other factors, like incentives and operating costs that influence FDI decisions (Papadopoulos & Heslop 2002). The theories discussed above create a need to evaluate and assess the qualitative factors that from their part act as motivators or impulses in the investment decision. Further these theories validate the idea

that a brand, as an emotional motivator, has an effect on the overall decision-making process of the decision maker. In particular, a well built brand can act as an impulse for a decision maker to perceive the need or possibility for an investment.

3.1.2 Influence of business environment

Michalet (2000) identified two sets of factors that make a country attractive in the eyes of global investors, and are prerequisites for the access to the investors' short list. The first variables consist of institutional background of an attractive investment climate: political and macroeconomic stability, transparent and stable regulatory environment and lack of bureaucracy. The second factors will be evaluated if the first criteria are met. They relate to doing business with country's supply of economic and human resources, such as big and growing regional, not necessarily domestic, market; communications and transportation systems; qualified labour; efficient local support industries; and with minor importance, incentives.

From the investment decision maker's point of view, a country can be seen as a mix of attributes that either raises the interest of the decision maker or not (Brossard 1998). The relevant information for decision maker to estimate the country consists of both "hard" and "soft" factors that affect the attractiveness of the place. Table 1 contains examples of such factors based on the thoughts of Kotler and Gertner (2002) and Rainisto (2004, 66-67).

Table 1 Relevant information for location decision

<u>HARD FACTORS</u>	<u>SOFT FACTORS</u>
<ul style="list-style-type: none"> • Availability of facilities • infrastructure • Incentives • Taxes and regulations • Access to customer and supplier markets • Transportation • Education and training opportunities • Business climate • Access to R&D facilities • Capital availability 	<ul style="list-style-type: none"> • spirit of the place • entrepreneurship • innovation drive • culture and traditions • quality of life • quality of personnel • leadership • flexibility • dynamism • professionalism • development possibilities

Source: Kotler & Gertner 2002; Rainisto 2004, 66-67

Kindra et al. (1998) state that foreign investment decisions are largely influenced by a mix of economic, infrastructure and host-government policy considerations, however, effective communication with investors appear to be crucial in conveying the existence of a positive investment environment. Furthermore, investments are particularly sensitive to investment climate, since multinationals generally have the choice between several locations and the investments that are aimed to local markets are attracted most by large markets (Morisset & Andrews-Johnson 2004)

According to Rainisto (2004, 66-67), the hard factors are losing their importance as attraction factors because they can be copied and imitated easily, and thus often used by several places. On contrary, the soft factors are difficult to imitate, since they often are unique, and built through a long lasting development process.

Rainisto (2000, 20) continues by listing the main factors affecting to the general success of a place as: global mega trends (such as globalisation and development of information technology), the distinctiveness of the place (e.g. location, industry structure and identity), regional activity (entrepreneurship, creation of innovations) and the actions of the public sector. Porter (1998) argues that country competitiveness is increased by building *clusters of excellence* consisting of competing and complementary industries. The competitive pressure between companies located in cluster forces them to innovate, which builds productivity (ibid). Thus countries should define the industrial clusters they wish to build and plan sites to appeal to these target segments (Kotler & Gertner 2002).

The results of Ernst & Young's 2006 European Attractiveness Survey (Ernst & Young 2006) support the ideas of Rainisto (2004) and reflect the maturing of the location decision process, where senior executives take more control over their location decisions. As a result of the analysis, *business environment* criteria including factors such as quality of life and innovation and research, had gained most in importance as opposed to *operations* and *finance* criteria (for details, see Ernst & Young 2006). This ranking of location criteria reveals the complexity of location decisions and, furthermore reflects the leading role of "quality" and "soft" factors over direct "bottom line" factors. This is contradictory to the

conventional perception that all location issues are based solely on cost and tax factors. (Ernst & Young 2006)

The country should be able to provide relevant information needed by the investor and aim to work proactively to attract investors. The investment promotion activities are discussed next.

3.2 Managing investment promotion

The increasing competition between countries has led to investment promotion organisations to utilise sophisticated marketing activities and spend extensive resources on investment promotion activities. All countries employ marketing techniques and strategies to influence investment decisions by emphasising a unique mix of factors which are most “desired” by a target group of investors. (Kotler et al. 1993, 166-168)

Kotler et al. (1997, 189-193) present three modifiable elements in the governments overall marketing program for FDI, namely *product*, *price* and *promotion*. Here the product and price elements will be discussed very briefly.

Country as a *product* includes the intrinsic advantages and disadvantages of investing in the country (Kotler et al. 1997, 199). The factors of business environment and investment climate were discussed in more detail in Chapter 3.1.2. From the country marketer’s viewpoint the attributes can be classified to four categories according to marketer’s ability to modify them. Some attributes are fixed and non-modifiable such as the climate; some are modifiable in the long run, like education program; some like an incentive programs are modifiable in the short run, and finally some can be customised according to the needs of the investors. (Brossard 1998) Cho and Suh (2006, 106) consider countries as products whose images affect the choices of investors, as buyers, among alternative locations.

Pricing, which refers e.g. to granting R&D incentives, capital grants and tax exemptions, is a common feature of countries' FDI policies. Wilkinson and Brouthers (2000) conclude that historically, even though FDI attraction programs have mainly consisted of luring industry using a variety of tax breaks, debt financing, as well as appealing labour and regulatory policies, also promotional efforts might have had a modest effect.

When discussing investment promotion, the use of incentives, which is a constantly debated issue in investment promotion needs to be addressed. Well-targeted incentives can undoubtedly have a role in winning an investment project; however the use of incentives includes a risk of harming the economy by underbidding to win the investment. (UNCTAD 2001) On the other hand, the incentives per se are generally not sufficient to attract most multinationals (Kotler et al. 1997, 192). The practices and attitudes towards incentives differ considerably in different parts of the world; most of the EU countries for example refrain from granting incentives on a national level. However, local investment promotion agencies often use incentives and other benefits to succeed in the national competition.

Promotion to attract FDI, which is in the focus of this study, will be discussed in the remaining chapters of this section. Chapter 3.2.1 discusses the management and structure of the promotion agencies, Chapter 3.2.2 introduces the investment promotion activities and Chapter 3.2.3 discusses the tools that can be utilised in promotion activities.

3.2.1 Promotion organisations

The organisational settings and networks remain among the most important determinants of successful FDI promotion (Capik 2007). Therefore, this section discusses first the promotion establishment, which creates foundations to network building.

In most countries the investment promotion is handled by an investment promotion agency (IPA), sometimes called investment promotion organisation (IPO). Investment promotion is relatively new business, which grew rapidly in the 1980's and 1990's alongside with opening up of the world economy (UNCTAD 2001). In 2007 over 200 national investment

promotion agencies from over 150 countries were members in the World Association of Investment Promotion Agencies (WAIPA 2007a).

WAIPA was established in 1995 as a non-governmental organisation (NGO) in Switzerland and it acts as a forum for investment promotion agencies to provide networking opportunities and facilitate the exchange of best practices in capacity-building and investment promotion. Its membership is open to all agencies whose principal function is to promote any country or territory for investment. (WAIPA 2007a)

Wint (1992) studied various types of investment promotion actors, and discloses that countries' international marketing to attract investors is managed in variety of different ways, and that most of the countries have at least some permanent representation overseas. The main types of representation in foreign countries included creation of consulates and embassies, stand-alone offices, and reliance on foreign consultants (Wint 1992).

As governments' interest in investment promotion has increased, many have concluded that use of *embassies and consulates* is the most appropriate way to tackle the issue, as they are already present at the target country, financed by the foreign ministry and operating with purpose of representing country's interest abroad (Wint 1992). Additionally, their tasks already include country's export promotion, which is seen by Wilkinson and Brouthers (2000) also as a tool to generate investment. However, this structure is not the most efficient due to reporting and control difficulties, lack of knowledge in marketing and increasing costs (Wint 1992).

Many countries have also established *stand-alone offices* on quasi-governmental or private basis. Prior are funded by governments but have more autonomy than other governmental units. Due to their private nature, they have more resources to employ marketing and business professionals and to strictly concentrate on the investment promotion. These actors have often successfully established networks of similar organisations, independent of their countries' network of consulates and embassies. (Wint 1992) In many countries, investment promotion has been managed by a specialised agency that can provide a one-stop-shop for

investors. In addition to investment promotion activities, some of these investment agencies have become the flagships for developing country brands. (Szondi 2007)

Use of *foreign consultants* with relevant skills and contact networks is the structure some countries have organised their international promotion. In this case, the selection of the person arises as the critical issue, since the tasks are heavily based on personal encounters. (Wint 1992)

As an additional method of foreign representation, *use of modern technology* is mentioned. Especially the uses of internet homepages, email, investor data bases and investment monitoring software have improved investment promotion activities. A particular benefit of web sites is that information can be updated continuously. (UNCTAD 2001)

Of the prior possibilities to organise the investment promotion abroad, stand-alone offices have proven to be the most effective (Wint 1992). However, the form of activities used should be decided based on the current conditions the country is facing. Morisset and Andrews-Johnsons (2004) results regarding institutional structure, cooperation with private sector and reporting mechanisms details that the amount of FDI inflows is notably lower when IPA is a part of ministry instead of being an individual or joint private-public organisation. In addition, the higher the number of members from the private sector the more efficient is the agency. It is the most efficient if it reports to a country's president or a prime minister. Yet, Quelch and Jocz (2005) say that the most successful initiatives to attract foreign investment generally involve public-private partnerships.

The role of government in attracting FDI has been in the interest of several authors (e.g. Smith 2000, Wint 1992, Wint & Williams 2002). Some countries have decided to organise their investment promotion purely governmentally, and may end up having three principal tiers: federal, state and local. In such case, the conflicts between different national agencies are difficult to avoid (Smith 2000). In order to develop place marketing towards sophisticated strategic marketing, coordination of marketing is required at a range of scales; supra-national forms of government assist in raising investor awareness and best-practice

sharing, international coordination of direct marketing activities, national-level guidance of business and investment climate, national scale coordination of regional development policies of sub-governmental units. (Young 2005, 118) The organisation of regional promotion agencies, including cooperation networks, responsibilities and duties of the agencies are among the crucial factors of determining the success of undertaken activities (Capik 2007).

As an additional form of networking, several investment promotion agencies belong to WAIPA association and thus share the best practices among each other. A particular possibility to achieve gains is to cooperate with neighbouring countries in generally expensive image building activities (Wells & Wint 2000, 186). Examples include the Baltic Sea Region and Southeast Asian Nations. However, the extent to which such cooperation among potential competitors actually impacts individual countries' FDI inflows has not been investigated. (UNCTAD 2001)

An important aspect in managing the investment promotion activities is targeting the investors. Instead of trying to promote investment from all parts of the world, IPAs utilise different methods of narrowing the scope of their promotional efforts. These can involve selecting a focus in terms of target region and industry. Some utilise more sophisticated methods of targeting and have established special programmes for attracting specific types of industries, most frequently to attract high-tech investment or environmentally friendly technologies. (UNCTAD 2001) The motivation of the prospects and the possibilities of the country should match. However, the targeting should not be done too specifically and besides providing industry specific information, country promoters should be prepared to assist prospects outside the target sector lists (Wells & Wint 2000, 180-182). Indeed, as the competition for FDI increases, more specific strategies for targeting are required. A challenge for investment promoter is to match the needs of the foreign investors with the development objectives of the host country (UNCTAD 2001).

3.2.2 Promotional activities

Investment promotion programmes are a general approach that investment promoters adopt when pursuing additional flows of FDI. Investment promotion, which represents the marketing means of governments, includes the efforts to communicate to foreign investors the nature of the country's investment climate, and to persuade and assist investors to invest or reinvest to the country. (Wint 1992)

Based on his study *How to market a country?* Aharoni (1966a) highlights the importance of integrated marketing of foreign investment. Aharoni's (ibid) view of an integrated marketing is based on customer orientation and includes introducing the country to the potential investor, attracting investor to start looking abroad by creating a good image, supplying up-to-date information, neutralising uncertainties and finally suggesting concrete projects.

Wells and Wint (2000) revise their most famous study from the field; *Marketing a Country; Promotion as a tool for attracting foreign investment* that was originally published in 1990, and present four main activities of investment promotion agencies, which they recognised in their empirical work on the FDI promotion efforts of investment promotion agencies in different countries. These activities are: *policy advocacy*, *image building*, *investment generation* and *investors servicing* (Figure 8). The policy advocacy activities are targeted towards the government of the host country whereas the three other activities are aimed at the different stages of the investment decision making process. The activities are discussed in the following.

Figure 8 Activities of investment promotion agencies



Source: modified from Wells and Wint 2000

Policy advocacy consists of the activities aimed to improve the investment climate in the country and to identify the views of the private sector on the matter. These activities include surveys of the private sector, participation in task forces, policy and legal proposals and lobbying (Wells & Wint 2000).

Morisset and Andrews-Johnson (2004) measured the effectiveness of the activities that were introduced by Wells and Wint (2000), and according to the results policy advocacy seems to have the strongest impact on the FDI inflows. Thus, greater emphasis on policy advocacy should lead to improved investment climate, which again would lead to higher FDI flows. (Morisset & Andrews-Johnson 2004, 34-36) This seems rational taking into account the importance of the investment climate emphasised in the literature. Due to their daily activities with private sector, IPAs often are aware of the issues and where improvements in the investment regimes are mostly required (UNCTAD 2001).

Image building activities are targeted to enhance a country's image as a favourable place for investment and include advertising in general financial media, advertising in industry or sector specific media, participating in investment exhibitions, conducting general investment missions from source country to host country or from host country to source country, conducting general information seminars on investment opportunities, and producing and distributing brochures (Wells & Wint 2000, 21-24). Image building can be efficiently conducted from the home country, utilising media as well as temporary placements and contact networks abroad (Wint 1992). Image building is, as discussed in Chapter 2.2.1, a crucial factor in country brand management, and the activities can be seen as a solid foundation on which to build the brand management. However, branding is not only about image communication. Further, Szondi (2007) remarks, that nowadays, image building would be called country branding, even if the original authors do use such wording in their publication. Generally these activities are simply meant to improve the image of the country thus meant to generate investment indirectly (Wells & Wint 2000, 22).

When it comes to the study of Morisset and Andrews-Johnson (2004), the effectiveness of image building is straight behind of that of policy advocacy. However, the costs of all

image building activities; advertising in international media, event participation and promotional material production are relatively high. Based on their results advertising does not seem to have a significant association with FDI, whereas promotional material creation and public relations activities do matter significantly. Thus the latter two are the suggested activities for IPAs. Additionally, networking is considered as an essential image building activity for an IPA. (Morisset & Andrews-Johnson 2004, 38-39)

Investment generation activities are used directly to generate investment, to place the country on decision-makers short list, and they rely on engaging in direct mailing or telemarketing campaigns, conducting industry or sector specific investment missions and information seminars from source country to host country or vice versa, and engaging in firm-specific research followed by sales presentations. These activities are supposed to directly increase investments. (Wells & Wint 2000, 21-22, 24-25) In their study of 1990, Wells and Wint measured the effect of investment generating on the decision maker and discovered that the promotional activities had a significant positive effect on the decisions of over 37 % of the decision makers. Due to the high involvement nature of FDI decisions, investment generation activity needs to be accurately targeted to attain directly and personally the decision-makers and the executives who are already considering investing. (Wint 1992) Hence, Wint (1992) considers the local presence in the home country of the decision maker important.

In opposition to Wells and Wint's findings (Wint 1992), Morisset and Andrews-Johnson's (2004, 40-43) results point out that investment generation has the lowest return rate of all activities. This is, however, probably caused by their sample, which consists mostly of developing countries that do not have extensive resources. Investment generation activity is relatively costly and requires high degrees of expertise to effectively carry out carefully targeted programs. The findings of the study (ibid, 42) show that of all the promotional activities the largest percentage of the budget (almost 20%) goes towards contacting investors using variety of means, such as by phone, mail and telemarketing and conducting missions abroad. The weak position of investment generation can also be explained by the

efficiency criteria of the model, as an agency needs specialists and time to convince the FDI decision. (Morisset & Andrews-Johnson 2004)

Promotion is considered to increase FDI inflows. However, investment promotion is more efficient if the investment climate in the host country is good and the level of development is high. Thus industrialised countries benefit more from IPA's work than developing countries. In fact it may even be counterproductive for countries with poor investment climates to strive to attract investment through the work of IPAs if the expectations can not be met. (Morisset & Andrews-Johnson 2004, xx)

Investment services are divided into pre-investment decision, implementation and post-investment decision services. They are used to assist prospective and current investors and are focused on providing investment counselling services and expediting the processing of applications and permits (Wells & Wint 2000, 21-22). Data bases enabling matchmaking and provision of domestic market information and services on-line are common and useful efforts (UNCTAD 2001). Providing post-investment services aims at customer satisfaction which may lead to expanded operations and to positive word of mouth. When selling a country to foreign investors, word-of-mouth endorsements from foreign companies that have invested in the country could be leveraged; after all satisfied customers are often the best sales people. (Quelch & Jocz 2005) However, in OECD countries, the post-investment services are often provided by agencies other than the IPAs (UNCTAD 2001). Moreover, these activities are not considered by Wells and Wint (2000, 25-26) as serving to create new interest for investing, nor as building or changing country images.

According to Morisset and Andrews-Johnson (2004, 39-40), the investor services are generally the core of investment promotion efforts and equally important as image building activities. The activity is targeted to both new and existing investors. Services at all three stages of investment process seem to be equally associated with FDI. (ibid)

Of the three prior investment promotion activities, country should form a strategy for its promotion that reflects the task that the particular country faces in marketing itself to

investors (Wells & Wint 2000, 158). For example, in case the policies towards FDI have recently changed, more emphasis should be placed on building the image. Furthermore, large countries need less marketing effort than small countries. Foreign investment is not likely to go to the small countries unless they undertake promotional efforts. Large countries such as China have established their reputation as a target country for FDI and by utilising investment generating techniques they can increase the quality of received FDI. (Wells & Wint 2000, 179-180)

Based on the investment promotion techniques presented by Wells and Wint (1990), Kindra et al. (1998) performed an empirical study among ASEAN investment promotion agencies with the intention of identifying the factors that influence the most to the investment decision. The findings of Kindra et al. (1998) were somewhat contradictory and even if they present the importance of economic reality and the country's overall positive image, the investment promotion techniques as such seemed to have a very limited importance.

To put it in another way, attracting foreign investment requires efforts in many areas and promotional tools provide an important mechanism for communicating all these efforts to potential investors (Wells & Wint 2000, 2). These tools were briefly mentioned in this chapter and will be further discussed in the next chapter.

3.2.3 Promotional tools

After having determined the target markets and industries for investment promotion, IPAs can use many different tools to communicate investment opportunities to prospective investors.

Prominent tools to promote investment include: advertising, direct marketing, sales promotion, public relations and personal selling. The level of influence of these tools varies according to the stage of investment promotion or decision-making process as well as the intended target market. (Kotler et al. 1993, 166-168)

Relevant to investment promotion, UNCTAD (2001) divides the promotional tools to *personal* and *non-personal tools*. *Personal tools* are considered more efficient in investment promotion. Likewise, Papadopoulos and Heslop (2002) consider that personal selling may be more suitable for investment marketing whereas mass marketing is suitable for tourism and exports. Personal contacts can be achieved in various ways, including participation in international conferences and trade fairs, hosting visiting missions for foreign investors, organising meetings and seminars, and conducting investment missions to other countries (UNCTAD 2001).

Aside of meeting potential investors face to face and having the chance to persuade them and leave a mark in their minds, participation to various events and organising media visits to host country is perceived as a way of getting international media attention. Media coverage plays a crucial role in shaping investors' attitudes and perceptions. International media are systematically monitored by the Ministries of Foreign Affairs, generally through embassies on the daily basis. (Szondi 2007)

Non-personal promotion tools, even if less effective, are very popular. These include advertising in foreign media, direct mailing, and production of marketing and information material such as general promotional brochures, investment guides, newsletters and fact sheets. (UNCTAD 2001) Also websites were mentioned as non-personal tools, even though some of them can nowadays be considered as personal communication tools.

Advertising is an efficient way to reach numerous geographically dispersed buyers at a low cost per exposure. It is also effective in image building. However, it does not contain a response mechanism, unlike direct marketing which due to its interactive quality can immediately measure the response rate of qualified investment prospects. (Kotler et al. 1993, 166-168) Moreover, combining the financial and human resources together and creating a proactive advertising campaign to increase foreign investments would be beneficial according to Anholt (2007, 66). However, to receive the benefits and to achieve a recall in the target audience's memory the campaign needs to be maintained, which leads to high expenses (ibid). Also, Papadopoulos and Heslop (2002) noticed in their research that

often country branding assignments are included with mentions to avoid advertising for FDI, since the foreign investors are too rational to be influenced by it. However, they consider that some form of at least limited mass marketing may be an effective vehicle for establishing a well-recognised investment brand (Papadopoulos and Heslop 2002). Further, Young (2005) concludes that plain promotional campaigns that aim at raising investors' awareness of the region have quite limited impact. Therefore, in order to be successful, place marketing must develop into a sophisticated and complex set of strategies and address investor specific needs (ibid, 110).

Aharoni (1966b) insists that management time is the scarce resource in large firm, and thus great attention from the investment promoter's side should be given to providing relevant information to potential investors in order to minimise the risk and uncertainty factors. However, Anholt (2007, 66) considers the production of information material rather useless as a strategy to attract foreign investors. Information provision is passive, reactive marketing because it has no intention or no power to impose itself on people and to change their minds. Often considerable amount of information material is produced by several national organisations, which may lead to lacking quality and design, and contradictory messages. Nonetheless, marketing the created information, persuading the audience to absorb the information, can be beneficial if the country suffers from lack of visibility. Marketing at its best is proactive and inspires and stimulates investors to start acquiring information about certain country as an investment destination. (Anholt 2007, 65-66)

Some countries maintain modern and up-to-date country websites, which serve as one-stop shops for investors (Szondi 2007), but also act as tools for country marketing and brand building. As an example Invest in Denmark uses satisfied investors as a promotional tool, as their website contains testimonials, success stories and positive arguments from international investors. (UNCTAD 2001) The use of PR is very helpful in maintaining long-term relationship with investors, as in this respect attraction is the main competency of branding (Szondi 2007). Further, some promoters demonstrate even more proactive use of internet, both in terms of marketing outreach and reach of potential investors (UNCTAD 2001).

Like was mentioned, the form and tools of promotion depend on country's current situation (Wells & Wint 2000, 158). In case of developing nations, rather than placing financial resources on conventional marketing efforts, Anholt (2007, 66) recommends that the resources are directed to genuine improvements of the place, which has more powerful, credible and long-lasting effect on the reputation, and thus on the country image.

Wint and Williams (2002) reflect the lifecycle issues in the effectiveness of FDI attraction programs, and raise a question whether promotional activities, as they are practiced in a quite similar manner by developed and developing countries and the best practices are widely disseminated, are starting to lose their ability to differentiate one country from another? Here, the current author considers that as the investment promotion activities are getting similar, and no longer differentiate countries from one another the mental images about countries, or country brands, can increasingly have the power to push investment decisions.

3.3 Use of country brand in investment promotion

The key problem with FDI-related country branding is that too little is known about it, Papadopoulos and Heslop (2002) state. This study attempts to increase the knowledge on the field. The theoretical background on country branding was presented in Chapter 2 and the general investment promotion related issues were discussed above in Chapter 3. This section draws together views from both fields of theory: country branding and investment promotion with the intention of illustrating the relationship between the two.

To begin, Anholt (2007, 19-21) considers that nowadays *brand-oriented approach to national competitiveness* is a necessity, and maps out the conditions that have contributed to this development. These conditions emanate from globalisation and include for example transparency of governments and open relationships between state players; growing power of international media and growth of low cost digital communications; tightly linked global economy with limited pool of international investors and growing number of possible

investment locations; increased need to built trust in country-of-origin caused by increase of countries; and increased competition between countries, regions and cities. Thus, a strong country brand can yield a source of competitive advantage (Konecnik 2004) in the global competition.

Brands have the unique ability to connect “soft” human issues with “hard” financial and organisational ones and resolve them intelligently into functioning and compassionate wholes (Anholt 2005a). Moreover, country’s brand image is likely to be a critical element in the investment destination choice process (Konecnik 2004). It is considered that consistent and professional country branding enables country to win more investment business, because its image says the right things about taxation, labour skills, safety, the environment, political stability, and additionally the chance to apply the “Made in ...” label (Brymer 2003). Sometimes image is not truly representative of what a country has to offer, and therefore, country marketing should aim to achieve an image transfer that is based on country’s identity, Konecnik (2004) believes.

Also, O’Donovan (2004) argues that conscious efforts on the part of the policy makers to employ a deliberate branding strategy do not always reflect the reality. Ireland is presented as an example: good economic policies resulted in phenomenal economic growth in the 1990’s, which led to highly positive image for the place. International media dubbed Ireland “the Celtic Tiger”, and thus gave the country a new brand identity. Foreign investments were easy to attract with the strong brand, and most notably with investment promotion agency IDA armed with an attractive set of incentives. (ibid) This suggests that country branding is a strategic long-term issue rather than PR and advertising.

Moreover, Allen (2007) goes further and sees that country branding has a role as qualitative decision-making tool and, furthermore, as shorthand for the personality of place that aims at broader view of marketing as *customer relationship deepener* instead of the traditional role of marketing as communicator of features and benefits.

The brand concept, after having been researched, tested and defined, could be used as the basis of targeted promotional campaigns aimed to attract investors (Domeisen 2003). The constraints of time and resources oblige decision makers to use information short cuts during the decision-making process, and the brand name of a country acts as *decision maker's short cut* to an informed decision-making (Anholt 2007).

Based on research on the field of national branding for export promotion and investment attraction purposes, Domeisen (2003) emphasises two issues. First, countries must verify that they understand how they are perceived abroad. This brings focus to the identity research and to the research of external perception of countries' traits and products. Secondly, the national characteristics chosen for the characteristics must be valid in business reality. (ibid) A strong country image is necessary to attract investors but not enough. In addition, the hard factors, infrastructure, skilled workforce, favourable tax policies and returns on investment, must be ensured. (Szondi 2007)

An important notice is that the task of branding a country in order to attract FDI is not left solely at the hands of branding and marketing professionals, but requires commitment from the government generally more aware of the public and economic diplomacy (Nworah 2005).

3.4 Summary

The second research question has been answered in this chapter. It was presented that due to recent changes in the global investment climate, countries have started utilising marketing techniques to make them more attractive and competitive in the eyes of foreign investors. It is proposed that nowadays the movement of international capital is influenced by investors' perceptions of countries as brands.

The location decision-making is considered to be affected increasingly more by the qualitative information and perceptions of the decision-maker. Moreover, it could be

considered that success in quantitative factors is required for a country to be considered as an investment destination, whereas qualitative factors act in influencing the final decision.

The organisation of investment promotion was investigated and four main activities of investment promotion agencies presented; *policy advocacy* is pursued to affect the investment climate in the country; *image building* activities aim at improving the image of the country as a favourable place for investment among foreign investors; *investment generation* activities aim at placing country on investors' short lists; and *investor service* activities aim at assisting future and current investors and include counselling services.

The variety of investment promotion tools was discussed. The personal tools are considered more efficient in investment promotion, but non-personal promotion techniques are also popular. Finally, it is suggested that country brand can be used as a tool in investment promotion. A country brand, if properly managed, combines "soft" and "hard" issues and acts as shorthand in decision-making, and even forms a relationship with the decision-maker.

4. THEORETICAL FRAMEWORK

In order to answer the main research question; “*How are country brand and country brand management utilised in investment promotion in Finland?*” on a theoretical level, a framework (Figure 9) for the study is constructed. This theoretical framework draws together the literature reviewed in the previous chapters and suggests a model for the use of country brand in investment promotion. The framework guides the following empirical research.

The basic building blocks of the framework arise from two theoretical fields, namely *country brand management* and *investment promotion*. Both fields aim at communicating about a country with their specific messages based on their objectives.

The literature suggests that *country brand management* activities should only be initiated if the reality of the country is ready for it. Furthermore, the country brand should be built on *country brand platform* which comprises of real essence and competencies of the country. Thus country brand management is seen as a process by which a country actively seeks to create a reality based, unique and competitive identity for itself, manage it and the external image of the country, and to coordinate the existing communications, with the aim of delivering the messages of the country as a good destination for trade, tourism and investment for internal and international audiences.

The literature suggests that by utilising country brand management to align the activities of the existing communication entities of the country (tourism, exports, governance, investment, culture and people) the messages can be enhanced and strengthened and the delivery to the awareness of the target audiences is facilitated. In addition, country brand management is suggested to have a positive effect on identity and self-image of its citizens due to the Nation Brand Effect (NBE).

Without country brand management the messages may get weak or lost due to power of media, competitors' messages and other noise as well as other sources of inspiration. Furthermore, the psychological proximity between the target audience and the country either facilitates or hinders the delivery of the message.

Investment promotion aims at influencing the location decisions of foreign investors with the activities of *image building*, *investment generation* and *investor servicing*. Moreover *policy advocacy* activity aims at improving the investment climate to the country, and thus enhancing its reality i.e. competitiveness. Based on the literature, location decisions are increasingly affected by qualitative information and perceptions of the decision-maker, thus the sole investment promotion activities may face difficulties in delivering the message. Therefore, the location decision of the investor is suggested to be influenced by using the country brand as *an enabler*, as it according to literature, acts as an emotional motivator.

The theoretical framework of the study builds a relationship between the two main activities and suggests that *communication channel* between the actors of country brand management and investment promotion should be established, so that the country brand management would consider investment promoters' objectives in country branding activities and maximise the usability of the brand, as well as minimise the possible conflicts between the two. According to the theories, both fields have the similar main objective; building country competitiveness.

Moreover, it is suggested that by active coordination and communication the influence of country brand could be directed to help investment promoters in their activities.

Finally, should the decision of the foreign investor favour the country and a foreign direct investment be executed, the positive effects of foreign direct investment (FDI) to country materialise. This again is considered to boost the self-image of the people of the country as a good destination for FDI.

COUNTRY REALITY:

Country brand platform:
 -essence (values and manifestations)
 -competencies (capabilities and innovation)

Country competitiveness

COUNTRY BRAND MANAGEMENT
 -Initiation (readiness, work group, SWOT analysis)
 -Identity creation
 -Image and core idea development
 -Marketing communications
 -Management and coordination

INVESTMENT PROMOTION
 -Policy advocacy
 -Image building
 -Investment generation
 -Investor service

COUNTRY BRAND
 Tourism, Exports, Governance, Investment, Culture, People

ENHANCED, ALIGNED, STRENGTHENED MESSAGES

ENABLER

Improved investment climate

Media; competition; noise other sources of inspiration

Psychological proximity

COUNTRY BRAND TARGET AUDIENCES:
 EXPORTS
 FOREIGN INVESTMENT
 TOURISM

Enhanced economy, self-image

5. METHODOLOGY

The theoretical part of this study discussed the aspects related to the research questions of the study on the basis of literature. Next, the empirical part will examine how the understanding created on the basis of the literature corresponds to practice in Finland. The empirical examination will begin with a review of the chosen research methodology. The aim of this chapter is to discuss the issues related to the choice of the research approach and the collection and analysis of the data within the context of this study.

5.1 Research method and approach

The choice between qualitative and quantitative research approach depends on the research objectives. The aims of quantitative research include generalisation, forecasting and proving causality, while qualitative research aims at understanding, contextualising and interpreting phenomena (Hirsjärvi & Hurme, 2000, 22-23). Examining meanings is essential in qualitative research. Also the interaction between the researcher and the informant is notable and leads to involvement of the researcher in the creation of the research object. (ibid, 23)

The context of this study, use of country brand in investment promotion, has not been widely researched and consequently the aim of this study is to understand and contextualise the phenomena. It would be difficult to approach the context other than through interviewing and designing appropriate research questions.

Qualitative methodological approach was used in this study. The theoretical objectives of this study are; to shed light on the practice of country branding and country brand management, focusing on investment attraction; and to examine the investment promotion activities utilised when influencing the location decisions of foreign investors. These objectives have been approached by answering to the two first research questions in Chapters 2 and 3 of the literature review. Furthermore, the empirical objective of the study

is to examine the practice of country branding in Finland and investigate use of country brand when attracting foreign direct investment. This objective will be addressed after the empirical part by answering to the main research question in Chapter 7.1. Based on the research questions, qualitative methods, connected with a case study research structure are, therefore, used in this study to comprehensively examine the complexity and the relationship between these phenomena.

According to Yin (2003) case studies are preferred approach when “why” and “how” questions are to be answered, when the researcher has little control over the events and when the focus is on contemporary phenomenon in a real life context. To continue, Eisenhardt (1989) states that case studies are “particularly well-suited to new research areas or research areas for which the existing theory seems inadequate”. The research questions of this study were: *“How are countries managed as brands?”*; *“How are location decisions of foreign investors influenced by means of promotion and country brand?”* which are in the format that case study approach proves useful when responding to them. In addition, there is scarcity in the theories covering the relationship between investment promotion and country branding. Case studies have the potential to deepen our understanding of the research phenomenon, because they allow researchers to take a longitudinal approach, to handle the contextuality, are deep enough to allow theory building, and take a holistic viewpoint to the phenomenon (Ghauri 2004, 111-112).

Single case design is appropriate when a particular case is critical, the intention of the case is for example, to explain or question an established theory, the case is revelatory in nature. There again, multiple case studies are appropriate if the purpose of the study is to study the same questions in a number of organisations and to compare them to each other to draw conclusions. (Ghauri 2004, 114) The research objectives and questions of this study made it relevant to choose a single case design, where the case is investment promotion utilising a country brand, and the context is Finland with its current country branding and investment promotion activities. The study intends to explain and established theory and in addition is revelatory by nature.

Study designs in single case studies are either holistic or embedded. A holistic design is to be used if the study examines only the global nature of the phenomenon; in an embedded design attention is given to subunits, multiple units of analysis inside the case. (Yin 2003, 42-46) The design of this study is an embedded single case that aims at a holistic understanding on the use of country branding while attracting investment. The roles of different actors affecting the country brand and investment promotion (sub-units) are analysed separately. Strength of an embedded design is that the subunits can often increase opportunities for extensive analysis, enhancing the insights into the single case. However, when using the embedded design attention must be given to avoid focusing the study on the subunit level and failing to return to the larger unit of analysis, which is the real target of the study. (ibid, 45)

The limitations of a case study need to be recognised (e.g. Eisenhardt 1989, Patton 2002; Yin 2003, 10). These limitations include ability to generalise the results of a case study, however, the non-generalisable results can be interesting for understanding specific situations and their contexts, and the value of a case study can be that they are theoretically representative and explanatory. Another limitation of a case study deals with the objectivity or lack of rigour of the investigator that can have an effect on the results (Patton 2002; Yin 2003, 10). However, there are several methodological texts that can be referenced to find the appropriate procedures to follow while conducting a case study research.

To conclude, this study is a qualitative single case study which has an embedded theory testing and refining case design.

5.2 Data collection

A major strength of the case study data collection is the opportunity to collect various types of data from various sources (Yin 2003, 97). Ghauri (2004, 115) from his part, considers triangulation; collecting information through different methods or even different kind of data on the same phenomenon, as one of the defining features of a case study. In this study

two data sources are used: documentary data and interviews. Using a combination of data types increases the validity as the strengths of one approach can compensate the weaknesses of another approach (Marshall & Rossman 1995, 78-105). Moreover, the information received from various sources can be checked, validated and examined from different angles (Ghauri 2004, 115).

According to Patton (2002, 244) there are no rules for sample size in qualitative inquiry, and instead the sample size depends on the aim of the study, what the researcher wants to know, and what the purpose of the study is and several other factors. The choice of sampling strategy is determined by the research questions and the conceptual framework which governs the questions that are then asked (Robson 1993, 155). In this study the sampling strategy was to gather information by interviewing and collecting data on the organisations that are involved in communicating about Finland to external stakeholder and thus have the ability to shape the country image and create the brand, and on the organisations involved in investment promotion activities. The interviews were conducted among the directors of the relevant organisations and the data was collected on the organisations as well as on spokespersons of these organisations. According to Robson (1993, 157) there is always a risk that the sampling may not have been done widely enough, and therefore it is useful to devote some part of the effort to “working in the peripheries”, by which he means including to sample persons that are not central to the phenomenon but are neighbours to it. Here this was followed by examining investment attraction to cities utilising country brands. The approach proved useful as it gave an interesting insight to the relationship between municipalities and the states and brought up differences in actions.

Robson (1993, 241) considers that the first task prior to conducting the focused interviews is to carry out a situational analysis, for example by means of documentary analysis and observation. This analysis should cover important aspects of the situation, and the meanings and the effects these aspects have to those involved (ibid). Similarly in this study, the data collection was first begun by gathering documentary data (see Chapter 5.2.1) and getting introduced to the situation using that information. Then the prospective interviewees were mapped, contacted and meetings agreed. The documentary data as data collection

method is discussed in the following, after which focused interviews will be examined in Chapter 5.2.2.

5.2.1 Documentary data

Documentary information is relevant to almost every case study topic (Yin 2003, 85). A variety of documents can be used as data for case study, these include letters, agendas and other written reports of events, administrative documents, formal studies of the same “site” under study, newspaper clippings and articles appearing in the mass media or in the community newsletters (ibid, 85-86). In this study the documentary data utilised was in following forms: newspaper clippings, articles appearing in the mass media as well as community newsletters, formal studies conducted by research agencies and statistics. Documentary data is also easy to utilise and categorise for analysis as well as easy and efficient to manage (Marshall & Rossman 1995, 100). The documentary data utilised in this study was gathered from various newspaper article databases, from the internet sites of the interviewed organisations as well as received from the interviewees during the interviews.

Yin (2003, 87) states that the most important use of documentary data in case studies is corroborating and augmenting the evidence from other sources. Documentary data is very useful in qualitative research because it provides abundant information and it can be used as stimulus for paths of inquiry that can be pursued through interviewing and direct observation (Patton 2002, 294). In this study, the documentary data was gathered prior to interviews and it was used to further outline the question base. In addition, the data provided by the interviewees during the interviews was then utilised in the ensuing interviews.

5.2.2 Focused interviews

The basic assumption of qualitative interviewing is that the perspectives of the respondents are meaningful, knowable, and can be made explicit (Patton 2002, 341). The interviews concentrate on subjective experiences and opinions of those involved (Robson 1993, 241).

The method of the interviews was a focused interview. It is one of the qualitative semi-structured interviewing methods (see e.g. Hirsjärvi & Hurme 2000, Yin 2003). The main characteristic of the focused interviews is that the interview does not proceed in an orderly manner according to detailed questions but according to certain central themes, which are same for each respondent, and are derived from the case study protocol (Hirsjärvi & Hurme 2000, 47-48). An interview guide is used to list the questions or issues to be examined during the focused interviews, and it is used to ensure that the same lines of inquiry are pursued with each person interviewed (Patton 2002, 343-344; Robson 1993, 241).

The strengths of focused interview are multifaceted. It gives more value to the meanings and interpretations put forward by the interviewees. It also provides flexibility and freedom of action during each interview but still ascertains that the interview focuses on the relevant and central issues of the research problem. (Hirsjärvi & Hurme 2000, 48) Moreover, focused interviews provide an efficient way to get large amounts of data quickly, in personal interviews it is large in depth, whereas in group interviews in breadth of data (Marshall & Rossman 1995, 81).

However, using interviews as a form of data collection has weaknesses as well. As focused interviews allow flexibility to the interviewer in sequencing and wording the questions, it may result in substantially different responses from different perspectives and thus reduce the comparability of responses. Also important and salient topics may be inadvertently omitted. (Patton 2002, 349) Furthermore, the interviewer must exercise caution and be prepared for further probing if different interviewees appear to be echoing the same thoughts (Yin 2003, 91). In addition, interviewees may be unwilling or unable to share certain information and the personal interaction affects the interview situation (Marshall & Rossman 1995, 81). The quality of the information gathered during an interview is largely dependent on the interviewer (Patton 2002, 341). A special attention must be given to the wording of the interview questions; they should not be leading or too theoretical so that the corroboratory purpose of the interview and provision of fresh ideas will not be restrained (Yin 2003, 97).

In the current study, the interview guide (Appendix 1) of the focused interviews was structured around the main themes of the study and reflect the theoretical framework of the study. The first questions 1-4 deal with background information of the organisation; questions 5-11 discuss understanding on country branding and country branding of Finland; questions 12-17 deal with initiation of the branding process by discussing the responsible work group; and the latter phases of the process of country brand management are examined with questions 18-24. Investment promotion in general and Finland as an investment destination are examined with questions 25-33; investment promotion organisation and the strategy are dealt with questions 34-39, and the investment promotion activities with questions 40-46. Additional themes covered include networks and cooperation in country communication in questions 47-49, and differences between branding countries and cities in questions 50-52.

An interview request (Appendix 2) was send via email to five potential interviewees who were mapped out during the situational analysis. All of the contacted persons agreed to an interview. Four more potential interviewees were identified during the course of the interviews. They were likewise contacted and interviews agreed. The interviews were conducted during January and February 2008. All of the interviewed persons were directly relevant to the study, with the exception of the exemplar of the Embassies of Finland, who was chosen in order to get an interesting practical view to the topic. All together nine focused interviews were conducted, out of which two via telephone. The interviews were recorded with a permission of the interviewees in order to facilitate the post interview work. The interviews were conducted in Finnish, as it was the mother tongue of the respondents. The length of the interviews was approximately 60 minutes in each case.

In this study, the researcher was able to conduct nine interviews in total. Thus, this might represent a limitation to the study, as a higher number of interviews might have been required to achieve saturation point. However, as the primary data was complemented with rather rich secondary data, the number of interviews could be seen as adequate in providing the information required by this study.

5.3 Data analysis

Data analysis is the process by which the mass of collected data is organised, structured, and brought to meaning (Marshall & Rossman 1995, 111). Patton (2002, 432) sees data analysis as complex and multifaceted analytical integration of the collected data into actual findings. It is considered as the most challenging but yet the most rewarding part of case study research (Ghauri 2004, 117).

In order to produce an authentic understanding of the research object, the data analysis and data collection need to be closely interconnected during the whole lifecycle of the case study research. The interconnection of data collection and analysis allows the theory to develop alongside the growing amount of data, and the research problem to be formulated and even reformulated at the same time. This leads to new questions and new needs for data collection, thus there is no definite phase of data analysis. (Ghauri 2004, 117)

Ghauri (2004, 117-122) distinguishes two stages of data analysis. First stage is constructing case description and explanation that will lead to the construction of a model that shows how the variables are connected and how they influence each other. The second stage is a shifting process that should combine different methods of data analysis such as coding and rearranging the collected data into conceptual categories, searching for common or conflicting themes in data, explaining the interrelationship between identified factors, comparison between predicted and empirically based pattern, and other forms of analysis depending on the case study. The outcome of the data analysis is a redeveloped and refined model of the case study.

In the current study, data analysis was organised by first creating a case description based on the situational analysis conducted in the beginning of the data collection effort. Most of the documentary data was organised during the situational analysis prior to interviewing, however the documents retrieved during the interviews were coded. Also new themes were added as relevant new evidence was obtained.

The interview recordings were written out and simultaneously organised and structured onto themes that were generated from the preliminary theoretical framework.

Then an analysis and bringing more meaning to and discussion of the data as well as comparison between the predicted and the empirically based patterns was conducted. The results of the analysis will be covered in Chapter 6.3 where the findings of the empirical study will be analysed and discussed.

5.4 Reliability and validity

The concepts of reliability and validity stem from the quantitative research methods and are based on the assumption that the researcher can reach the objective reality and truth. However, this assumption is somewhat problematic as reality and truth are always subject to the situation and subjective conception of the topic. (Hirsjärvi & Hurme 2000, 185-186)

Reliability. Reliability means that, in principle, two researchers using the same method, or same researcher using it at another time, should come up with the same results (Hirsjärvi & Hurme 2000, 186). Nevertheless, an exact replication of the research is not possible due to time element and the researchers pre-understanding of the phenomenon (Rainisto 2003, 110). However, the goal of reliability is to minimize the errors and biases in the study states Yin (2003, 37) and presents specific tactics to increase the reliability of the study, including use of case study protocol and development of case study database, which would then help to repeat the same study again.

Using a case study protocol helps to increase the reliability of the case study research as it guides the data collection phase of the case study (Yin 2003, 67). The reliability of the data collected through interviews depends on its quality (Hirsjärvi & Hurme 2000, 185). The themes and the question covered during the interview of this study were based on the case study protocol. In this case, no quality issues regarding the interview recordings appeared, also the transcribing was conducted following the same principles throughout the course of

the interviewing, and the data received was structured according to themes derived from the case study protocol. Detailed information about the interviewees is found in the reference section, if a future researcher wishes to contact them.

In order to ensure the reliability of the data collection, the sources of the documentary data such as internet addresses and references in newspapers and publications were carefully noted. However, it is possible that some of the links to internet pages may no longer be available in the future, which in turn complicates the future replication of the case study. Throughout the data collection and analysis phases, the documents received were coded and structured in to a database, where they could be easily retrieved.

Validity. The concept of validity relevant to case studies is divided to three types: construct validity, internal validity and external validity (Yin 2003, 33-37). Construct validity refers to the question whether the study relates to the issue it is supposed to examine (Hirsjärvi & Hurme 2000, 187). The construct validity can be ensured by using multiple sources of evidence and establishing a chain of evidence (Yin 2003, 34-36). Similarly, Marshall and Rossman (1995, 144) bring front the importance of triangulation, which means “the act of bringing more than one source of data to bear on a single point”. Moreover, Patton (2002, 248) considers that the studies using only one method of data collection are more vulnerable to errors linked to that particular method, than studies that use multiple methods where different data types provide cross-data validity checks.

Internal validity deals only with the causal case studies, where the causal relationships are mapped. Finally, external validity means the generalisability of the results beyond the immediate case study, and is seen as a major barrier in doing case studies. In the case study context the external validity can be pursued by relying on analytical generalisation, where the results are generalised to broader theories. (Yin 2003, 35-37) However, Marshall and Rossman (1995, 146) argue that qualitative research does not pretend to be replicable, and to ensure the validity the researcher should avoid controlling the research conditions and concentrate on recording the complexity of the situation. Due to the fact that the real world changes, no exact replication can be done.

This study tackles the issues of construct and external validity. The construct validity is pursued by utilising evidence collected with various methods from multiple sources, such as interviews with multiple informants from different organisations dealing with external communication about Finland, and collecting documentary data from internet, newspapers, publications, and internal documents of the interviewed organisations. The information received from documentary sources was verified during the interviews, and sometimes the facts collected from the informants were further verified by using secondary data or other informants.

The external validity in this study is faced by referring back to the original theoretical framework while discussing the findings and analysis in Chapter 6. The intention is to use the findings of the data collection to back up or redevelop the theoretical framework established in the literary review of this study. In addition, external validity is ensured by keeping thorough notes on the research process, reporting it accurately and keeping collected data in structured databases.

6. EMPIRICAL FINDINGS AND ANALYSIS

The main objective of this chapter is to build and answer to the main research question, *“How are country brand and country brand management utilised in investment promotion in Finland?”* This is pursued through an analysis of empirical data collected from and of Finnish actors and activities on the fields of country brand management and investment promotion. The empirical findings of country branding in Finland are presented in Chapter 6.1 and the findings of investment promotion in Finland in Chapter 6.2. Further analysis and discussion on the topics, as well as an attempt to build a relationship between the two activities is conducted in Chapter 6.3.

6.1 Country branding in Finland

In this chapter the findings of the empirical study regarding the brand building activities in Finland are presented. Anholt (2005c, 118) mentions that aligning the existing communications is an important part of the country brand strategy. Therefore, the investigation of Finland’s country branding is commenced in Chapter 6.1.1 by introducing the organisations that actively communicate about Finland abroad. Then, in Chapter 6.1.2, Finland Promotion Board, a particular body founded to manage the country branding activities is presented. After having studied the roles and responsibilities of these organisations, in Chapter 6.1.3, the recently initiated country brand building process in Finland is examined. Finally, in Chapter 6.1.4, country brand measurement is discussed.

6.1.1 Traditional actors of Finland communication

The literary review of this study adduced the complexity of country communication aiming at brand creation and recognition among its audiences. As discussed in Chapter 2.1.2 the country brand communication is carried out by various means and actors, such as tourism promotion, exporting companies and their brands, government, immigration and inward investment, culture and heritage of the country and its people (Anholt 2005c, Kotler et al. 1997).

This chapter introduces the organisations that systematically and regularly communicate about Finland to various global audiences. The communication includes proactive, unprompted and systematic communication initiatives and customer contacts, as well as reactive information provision as a response to a request.

Finland communication towards world media has, in principle, been divided into three branches: Foreign Ministry of Finland and the Embassies of Finland cover general, political and cultural media sources, Finnish Tourist Board (MEK) covers travel related media sources, and Finnfacts faces economical and business related media. The aspects of Finland communication are thus roughly covered by these organisations and their overlapping; with the exception of the people aspect which would be difficult to present and organise due to its over 5 million representatives. Obviously there are many more organisations, companies and associations that communicate about Finland, however, the largest and most systematic organisations are covered here.

Foreign Ministry of Finland. The Department of Communication and Culture under the Ministry of Foreign Affairs (MFA) of Finland manages activities that aim at increasing Finland awareness abroad. These activities include (Formin 2007b):

- making Finland well known internationally, including the production, supply and distribution of related information material;
- the promotion of Finland's foreign political, commercial, economic and development policy objectives by means of communications and culture; and
- managing Finland's international media and cultural relations.

Several publications are produced to fulfil the information needs of different audiences. Publications are often produced in cooperation, such as annually published *Finland Focus on the Economy and Technology* magazine together with Finnfacts, Invest in Finland, Tekes and Ministry of Employment and the Economy (Focus 2008). Focus Magazine is intended as a tool for Finland branding, or a Finland visit card, for companies and organisations that have international operations. Aside to traditional publications, since

1995 MFA hosts an information portal *Virtual Finland – Your window on Finland*³, which has a picture gallery, news service, and which covers articles of various topics written by named authors. The site is currently produced in English, German, Spanish, Russian and French. The development of the country internet portal as the primary source of wide, accurate and coherent Finland information for various language and culture areas is under development, primary focus being on Chinese and Russian portals (FPB 2007). The portal development work will be handled by the Finland Promotion Board and its member organisations (see Chapter 6.1.2).

Culture plays a key role in the image of Finland. Thus, the public diplomacy conducted by the MFA highlights Finnish culture and export of Finnish cultural goods and services. Also the establishment of networks between cultural actors is enhanced by inviting annually around 150 foreign cultural actors, journalists and editors to visit Finland. (Formin 2007c) The image of Finland in the foreign media is also followed and analysed by the MFA with the intention of having an accurate understanding on the views other nations have about Finland.

The networks of consulates and embassies around the world handle from their part the Finland communication in their particular areas through events, promotional activities and authoritative services. The informant from the Embassy of Finland agreed that culture export is nowadays one of the most efficient ways of positively affecting the country image, and has replaced the importance of political image in stable countries. Several Finnish Embassies have officials concentrating solely on the field of culture and communication.

Finnish Tourist Board (MEK). The Finnish Tourist Board, MEK⁴, was established in 1973 to promote tourism to Finland. It is a public organization under the Ministry of Employment and the Economy and works in close cooperation with and for the Finnish travel industry, implementing and financing marketing projects with the industry. The

³ <http://virtual.finland.fi/>

⁴ www.mek.fi/web/mekeng/index.nsf

budget of the organization in 2007 was approximately 16 million Euros, and has stayed on the same level the past few years.

Full size reorganization is taking place in MEK in the beginning of 2008, and three new focus areas were established. Firstly, MEK will direct about 50 % of its yearly budget on the country image creation and communication aiming at country brand development from tourism perspective, while the focus on product marketing will decrease. Secondly, MEK will increase its information generation, development, analysis and distribution activities to benefit Finnish travel companies, and thirdly, MEK will invest in travel product development in order to create a wider, more appealing and competitive theme or experience based products for Finland visitors. As an additional major project, informant from MEK mentions the preparations for a launch of a travel related information and purchase portal online in 2009, which should contain the complete travel related Finland offering. Thus the industry and its marketing communication will be strongly directed towards the online environment.

As a result of the reorganizations, MEK closes down its 15 overseas offices during 2008. Overall headcount of MEK will decrease to some 30 people, when at the end of 2006 it was approximately 100. (MEK 2008) The overseas travel marketing activities previously conducted by MEK are then conducted by Finpro overseas officers.

The reorganization of MEK creates opportunities for the country brand development, as remarkable resources are targeted directly to country image creation activities. Prior to the reorganisation, country image marketing had 10 % of MEK's annual budget (Korhonen 2007). However, due to MEK's role as a travel promoter, the emphasis will be on the country image from the tourism perspective. Cooperation and coordination, as well as activity from other actors' side are required in order to ensure that the country brand building will not serve solely the purposes of the tourism industry.

Finpro. An association founded by Finnish companies in 1919, Finpro⁵, provides internationalisation services for Finnish firms and promotes Finnish exports. It is partly funded by the Ministry of Employment and the Economy. The operations are conducted by an international network of over 300 consultants in Finland and in Finland Trade Centers around the world. Finpro operates based on assignments, and therefore, general Finland communication as such is no longer part of the mission of the association. However, as the employees are mainly Finns and striving to sell Finnish companies, Finland communication and image building are performed indirectly.

When it comes to country communication from the tourism point of view, since March 2008, Finpro has provided tourism promotion services for MEK's account. Finpro carries out promotion operations in its trade centres in the most important markets for Finland's tourism business; Estonia, Russia, Germany, the UK, France, Italy, Spain, Japan and China. In addition, Finpro travel experts maintain contacts with foreign tourism operators and media, and conduct marketing and sales promotion work in the main target markets, in cooperation with Finnish businesses in the sector. (MEK 2008)

The purpose of the Finpro – MEK partnership is to harness Finpro's international business experts, global trade centre network and market and sector competence to serve Finnish tourism businesses. (MEK 2008)

Finnfacts. Finnfacts⁶ is an independent media service unit that operates as an interface between foreign media and Finnish industry and business. It is a part of TAT Group and its activities are financed by the Confederation of Finnish Industries EK, Technology Industries of Finland, the Chemical Industry Federation of Finland, the Finnish Fair Corporation, and the national airline Finnair.

The mission of Finnfacts is to acquaint journalists with Finnish industry, companies and business life, and to promote Finnish economy and business in their target markets. This is

⁵ www.finpro.fi/en-US/Finpro/

⁶ <http://www.finnfacts.fi/english/aboutus/index.html>

pursued by organising annually over 200 media visits to Finland. The media visits are organised in cooperation with various Finnish companies, organisations or industries. As a supporting activity Finnfacts publishes six times a year an electronic newsletter, *Finnfacts*, on Finnish industry and economy in five languages, as well as occasional publications and information packages.

The themes and geographical target areas of Finnfacts' activities are decided on a yearly basis, after which relevant media representatives are approached utilising different contact channels such as own established connection networks, with the help of embassies, or by mapping prospective media representatives from media data banks. The themes selected are relevant to the strengths of Finland as well as to the intention of bring out interesting elements in order to get the attention of the world media representatives.

The organisations presented above all communicate about Finland to somewhat different audiences and bring front different aspects of the country and its features case-specifically. This has resulted to the image of Finland abroad being rather fragmented and weak. All the informants concurred the image of Finland as weak, but positive, and agreed that combined efforts of communication coordination would help to strengthen the country image abroad. These thoughts have also lead to the establishment of the Finland Promotion Board, which is a cooperative body aiming at country branding and increasing Finland's international awareness. The FPB will be thoroughly presented in the following.

6.1.2 Country branding actor: Finland Promotion Board

In order to enhance Finland's visibility in the global market place, Finland Promotion Board (FPB) was established. The roots of the committee go back to 1960's, when Finland started to receive more international interest and the importance of a country image abroad was first recognised. The committee was previously known as the Foreign Communication Coordination Committee (Ulkomaantiedotuksen koordinaatiotoimikunta – UTKT). It functioned merely as unofficial partnership until December 2006, when the Council State regularised the body as Finland Promotion Board. This was a major advancement for Finland's systematic country branding effort. In addition, the Government Programme

2007-2011 of Prime Minister Matti Vanhanen's second Cabinet includes a statement: "Finland's image as a country will be enhanced" (Valtioneuvosto 2007, 43). Thus it seems that the importance of strong country image has been recognised and addressed among the Finnish government officials.

The member organisations of the FPB represent broadly the most important parties of Finland's international communication, and in order to be members in the board, organisations main tasks should have the dimension of international communication. The members include: the Foreign Ministry of Finland with the permanent chairmanship, the Finnish Tourism Board (MEK), Finnfacts and TAT, Finpro, Invest in Finland (IIF), the Ministry of Employment and the Economy, Tekes, and companies Finnair and Metsäsäätiö. (FPB 2007) The size of the board is seen by the informants as large enough to cover Finland's foreign communications and at the same time small enough to maintain the activity, efficiency and flexibility of actions. Some of the informants considered that stronger participation from the private sector would, however, be necessary.

To increase the participation of private sector, FPB can establish different working groups, where internationally important Finnish companies or organisations practicing international communications on their fields can be invited as members. (FPB 2007)

Finland Promotion Board (FPB 2007) sees country image as a three dimensional entity that consists of:

- political, cultural and societal country image;
- export, internationalization and inward investment promoting country image;
- and tourism related country image.

Here the dimensions of country brand have been grouped into three higher level themes of politics, business and travel, seemingly based on the relevant organisations in charge of the communication activities. Political issues being mostly handled by the MFA and its consulates and embassies, business related issues are taken care of by Finnfacts, Finpro, IIF

and Tekes whereas the travel sector is handled by MEK with Finnair, the national airline, having an influence. The country image building process is being lead by the creation of travel related country image (see Chapter 6.1.3), and the informant from MEK pointed out that actually that is the only aspect of country brand that currently seems to have dedicated resources for the country brand creation work.

FPB considers that the primary aim of country branding is to increase the competitiveness of the country, and positive country brand is seen as the backbone of success and prosperity. The success in the competition among nations is seen strongly related to economical and political factors, but the importance of country image is however considered remarkable, in particularly when determining potential locations for business or residing. (FPB 2007) Furthermore, the FPB considers that successful image creation of Finland as an attractive and trustworthy country of high technology and wellbeing would concretely benefit the efforts of attracting investments and businesses to Finland, export and internationalisation of Finnish companies, attracting skilful workforce, increasing the amount of international travellers and thus the travel revenues, and boost Finland's voice in international politics. (ibid)

The mission of Finland Promotion Board is to enhance the international country image of Finland. The mission is pursued by two main tasks: coordinating the international communication about Finland, and developing a comprehensive brand Finland, out of which the latter is prioritized. (FPB 2007)

The coordination of international communication consists of aligning messages, and planning cooperation and common activities among the FPB member organisations and their cooperation partners in order to achieve synergy benefits, increased efficiency and stronger Finland image among the most important target markets and foreign target segments. FPB considers that the main target markets include the EU countries, Russia, the US and growing markets of China and India. (FPB 2007) In practice, cooperation between members occurs currently in publication and online activities, and during media visits. As an example, the activities of IIF or Finpro are presented during the official program of a

media visit organised by Finnfacts, further the unofficial part of the program may be more tourism related and organised by MEK. In this way the media visit would provide a rather complete Finland experience for the participants.

The main task, creation and development of country brand, has been initiated and it forms the core of the FPB activities in its strategy for 2007-2011. First, a theoretical framework of the country brand will be developed, alongside with case studies on the successful and non-successful examples of country branding, after which the phases of brand creation will be identified and scheduled. (FPB 2007) Thus the efforts in this initiation phase of the country branding process include planning and foundation building. No activities will be executed without thorough investigation.

The funding of the newly established board is still unsettled. Currently in 2008, Finland has no public monetary resources directed to country branding (FPB 2007). The upcoming budget negotiations in spring 2008 may bring a change to the situation. At present, many actors, such as the members of the FPB, cultural institutes and embassies, utilise their own funds for their own country brand promotion activities.

The critical factor in the success of country branding activities is sufficient and persistent funding allocated to the activities, this thought was highlighted by all the informants. FPB considers that the minimum annual budget would be 15 million euro, acquired from both public and private sources. Public funding is seen indispensable, in particular for the country brand creation process. (FPB 2007) As mentioned before, MEK has agreed to use 50 % of its annual budget to tourism country image related activities, which would bring 6-8 million euro to the image creation work. FPB (2007) considers that additional 10 million euro from public funds would already create a realistic starting point to the branding effort and other FPB activities. Without additional funding, however, the success of the branding effort does not seem optimistic.

6.1.3 Country branding process

In this section, the theoretical phases of brand management that were elaborated in Chapter 2.3 are now empirically assessed with the example of Finland's brand building phases or actions taken by the brand building authorities. Only those phases that have been completed or planned are discussed in this section.

The country brand building process of Finland has been approached systematically since fall 2006, and it is based on academic research and wide cooperation among different actors. The process was initiated by Finland Promotion Board and its member organisations. The interviewees were unanimous about the importance of country brand building for Finland. In particular, the country brand was seen as an influencer when the business environments are increasingly generic, such as among the member countries of the EU. It was considered that the more there is harmonisation among the countries, the more country brand can influence.

Establishing a workgroup

Country branding in Finland was kicked-off by the regularisation of the Finland Promotion Board in 2006. The country brand creation is the prioritised task of FPB, and it acts as the *steering group* for the process and handles the operational brand creation work. As a first step, an *independent working group* comprising researchers Teemu Moilanen and Seppo Rainisto, both Finnish experts in place branding, have been assigned to the project with the intention of creating plan of actions and bringing an academic viewpoint to Finland's brand building process.

Representatives of major corporations and the communications sector act as *sparring partners* in the process. Currently these partners include representatives from Nokia, Kone and advertising agency SEK. (Markkanen 2007b) Participation of companies brings the tourism and business dimensions of the country brand closer together, or at least softens the gap between them. Informant from MEK agrees that there is a need to include more companies as sparring partners, and recruitment will be initiated as soon as the promotional

materials are finalised. Finnish cosmetics brand Lumene and national airline Finnair have already expressed their interest to the cause.

Creation of an additional *high level advisory board* as supporting organisation is being planned. The advisory board would work to create credibility and commitment towards the branding process, as well as serve as a platform for information sharing, and as an element of prestige. The chairman of the advisory board should represent the business world, and be internationally acknowledged leader of some famous Finnish company, such as Kone or Nokia. Other members of the advisory board should encompass the society widely and include representatives from businesses, organisations, science, arts, politics, public administration and export promotion, as well as Finnish opinion leaders. (FPB 2007) Getting the opinion leaders to support the process is essential since their presence has a strong effect on the attitudes of people. Moreover, if they would be against branding they might have the power to detract the process. It is also seen important to get the support of the people for the brand creation process, according to MEK informant, in all successful country branding processes inhabitants have accepted the use of public funds for the activity. Furthermore, to avoid political disputes, inviting currently active politicians as advisory board members is considered avoidable.

Research of identity and image

According to MFA informant, Finland's country identity building has long traditions, and already in the 19th century when Finland was a sovereign part of the Grand Duchy of Russia, Finns aimed at building their own cultural identity. The identity building was initiated through culture and cultural contributors like Sibelius, Gallen-Kallela and Edelfelt. These Finnish artists also gained recognition internationally.

In the current Finnish country branding launch, it seems that specific national brand identity research has not yet been agreed. On the other hand, one might consider that the Finnish national identity has been built through culture, values and vision already prior to the independence of the nation in 1917.

Already in 1990 a high level country image working group KANTINE (Kansainvälisen tiedottamisen neuvottelukunta) proclaimed that the image of Finland abroad can not be better than the reality of the country; the country image is always a reflection of the reality. Thus, in order to improve the country image, it was stated that Finland needs to improve three issues: (1) the educational system should be the best in Europe within 10 years; (2) the convenience of everyday life needs to be invested in; and (3) the environmental effect should be taken into account in all political decision making. (KANTINE 1990) This laid the foundations to the image of Finland, since catching these goals transformed the reality of Finland into a highly developed, economically stable country with high quality of life.

The international awareness of Finland and its image as a high tech nation reached its peak in the end of the 20th Century. After that the awareness has been slowly decreasing. Currently Finland is benefitting its previous reputation, which is still supported by rather high rankings in international competitiveness rankings (see Chapter 6.2.1). (FPB 2007) The current situation of international awareness and image is however disquieting, and new elements that would help to gain international awareness are being looked for, these could be the environmental technologies, mobile technology cluster or the computer game industry.

As part of the ongoing country branding process, an investigation of current image of Finland abroad has been initiated. A study of the image of Finland as perceived abroad was commenced first by interviewing representation of Finland in its relevant market areas (Rainisto 2008). The findings indicate the weakness of Finland's image abroad and bring front a foremost need to increase awareness about Finland. The most common attributes to relating to Finland included dark, cold and distant. (ibid) Secondly, the existing studies conducted on Finland mostly after year 2000 from six perspectives were drawn together (Moilanen 2008). These covered studies included among others: study on spontaneous opinion about Finland (Saraniemi & Komppula 2003), review on Finland in the foreign media that is produced annually by the Foreign Ministry, studies on opinions of Finland from the tourism perspective (Tuohino et al. 2004), about the investment climate in Finland (Ali-Yrkkö et al. 2004), relocation willingness, and somewhat unexplored view of Finland

as a country of origin for export products. As a conclusion of the research, Moilanen (2008) states that neither Finland's reputation or image are remarkable in any of the six perspectives. Moreover, it seems that a unanimous Finland image is mainly nonexistent, similarly it can be said the country does not yet have a brand. Still, since the end of 90's knowledge about Finland has increased, and a more undisputed image possibly developed (ibid).

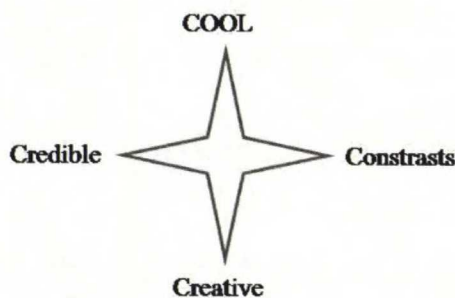
It appears that currently no research on Finland's image in Finland among its citizens has been initiated. However, in order to determine the target image and the measures needed to realize it, the investigation of the views of the inhabitants might prove useful.

Development of the central idea

According to the theoretical model, the reasonable outcome of the image research should be the formulation of the central idea. In case of Finland the tourism related central idea has already been formed whereas the other perspectives are still in the investigation phase.

The country brand creation process in Finland is spearheaded by tourism image of the country. The country image of Finland from travel perspective has been agreed in 2008 by MEK. It consists of four C's: credible, contrasts, creative, cool (Lehtonen 2007) (see Figure 10).

Figure 10 Finland's tourism-oriented image



Source: Lehtonen 2007

The informant from MEK clarifies the 4C's by saying that as a travel destination Finland is very *credible* and trustworthy, which creates foundations for having fun. Finland has positive *contrasts* such as winter and summer; culture of east and west, Finland is also very *creative* technologically and artistically. The contrasts and creativity make Finland a nice and *cool* travel destination. Coolness also relates to weather conditions, as the global warming increases the summer temperatures in many countries, destinations where weather is pleasant will become increasingly attractive. These terms were sieved by a multi-background workgroup among hundreds of attributes that were used to describe Finland as a tourism destination. According to the informant from MEK, the 4C's will be used to direct both internal and external marketing communications. Therefore, it will not necessarily be used as such in communication, but rather as a tool guiding the travel marketing related activities.

Culture plays a core role in the image of Finland, states the Foreign Ministry (Formin 2007c) and its role will be further increased. Thus culture may become one of the supporting pillars of brand Finland. The MFA is currently strongly developing the cultural export program of the country and considers that synergy benefits could be attained as culture is used both to enhance the image of Finland as well as create revenues for Finnish culture professionals. (Launonen 2007) Norrman (2004), a Swedish diplomat and "father of modern Sweden promotion" congratulates Finland's efforts of promoting Finland as a "cultural country with fantastic music festivals, museums and architecture". He considers that the aggressive promotion of the cultural brand has been successful and he admits that most Europeans he meets consider Finland as more culturally interesting country than Sweden (ibid). Still, in the field of culture Finland faces fierce competition from other bigger and more famous countries branding themselves based on cultural heritage and artistic creativity, like Germany, France, Italy and the UK (Norrman 2004).

The importance of Nokia for the image of Finland in the eyes of business audience is undisputed. Anholt (Hammarsten 2003) considers Nokia as a spearhead that facilitates the internationalization of other Finnish companies. On the other hand, Olins (Hammarsten 2003) sees that Nokia from its parts has no stimulus to emphasize its Finnish origin, since it

adds no value to Nokia, due to the fact that the image of Finland is distant and peasant. However, Tapio Hedman, marketing director from Nokia has from his part demanded creation of Finland brand (Vasala 2005). This implies that a strong Finland brand would, after all, benefit Nokia and associate it with the features of technological innovation, regeneration and determination, which according to Hedman are characteristic to Finland, and would support also Nokia (ibid).

When it comes to building the image of Finland, Olins (Hammarsten 2003) sees that Finland should update its international image by bringing front the international political achievements of the former President Martti Ahtisaari and other respected individuals, technological success of Nokia, and strive to find today's cultural influential person, such as Sibelius in his time.

There was some level of concern among the informants regarding the effect of the tourism related image on the other aspects of the economy. It was mentioned that from the audience's point of view country brand is a unitary picture comprising all the brand dimensions. Thus the attributes used to create the travel related country image will be reflected to the business and political dimensions as well. However, the MEK representative sees the developed 4C's as relevant to the comprehensive Finland brand. In particular the attributes of *credible* and *creative* are equally suitable for the cultural, business related and political dimensions of the country brand. *Cool* is considered reasonably appropriate, whereas *contrasts* seem somewhat more challenging. Moreover, the 4C's are developed to guide the promotion activities and not to be literally used in the activities.

Some of the interviewees gave an example of disharmony of objectives in country branding work in Norway, where tourist board wanted to picture beautiful, happy girls during the summer and the fish growing industry wanted to picture cold and stormy conditions that produce fresh fish. To avoid similar occurrences, the informants seemed to agree that it is possible and much needed to find a way to balance the possibly emerging disharmony of objectives and images between tourism and others.

Marketing communications

As the country brand building process is in its beginning, the discussion on means of country brand related marketing communication did not yet seem relevant for most of the informants.

However, according to the mission statement and strategy document of FPB (FPB 2007), media is seen as an efficient means of creating and sustaining a country image, in particular widely circulating general and financial publications, TV, radio and internet. The forms of media should be used according to the dimension of the country brand. Political and business influencing is seen most beneficial utilizing high quality press that generally is subscribed by economical and political decision makers, such as *The Economist*. When it comes to tourism or culture, the high quality publications on the particular field and other publications as well as TV and internet are considered useful. (ibid)

On the other hand, some interviewees brought up the importance of unpaid messages. It was mentioned that paid advertising is generally not considered very efficient among other target audiences than tourists. An informant from FPB considered that word-of-mouth (WOM) communication is becoming increasingly important, since it is generally considered more reliable by the public. However, one of the informants mentioned that the marketing communications activities will in the future be pursued in bigger scale than presently.

When it comes to visual elements and slogan there were differences in the opinions of the interviewees. Interviewees seemed to be careful about their comments to the topic of visual elements, which is probably due to the preparatory stage of country branding process. Some considered that the country branding effort is more about cooperation and coordination, whereas others saw clear benefits from harmonisation of visual elements. No one considered that a shared visual imaginary would be unbeneficial. Country brand does not develop from words but from actions, MEK representative emphasised.

The data that was collected throughout the study discussed relevantly much about the importance of organising and participating international events in the context of international communication and country brand communication. As an example, Finland's effort to emphasize its high technology reputation was supported by establishment of the Millennium Technology Prize in 2002. A million euro prize is awarded every second year since 2004 for "a technological innovation that is significantly improving the quality of human life today and in the future" (Millennium Prize Foundation 2008). The prize aims to rank among the world's most prestigious awards in the field of technology, similarly as Nobel Prize in the field of science. However, the media attention towards the prize and its festive Award Ceremony has not been as notable as has been hoped for. (Nykänen 2006) On its third round in 2008, the method of awarding has been changed "from Nobel to Oscar" which means revealing top five candidates three months prior the ceremony. This is intended to increase the media interest, and enhance the brand of Finland on the field of technology and innovations. (Markkanen 2007a) To capture the international visibility, supporting the international communication and promotion of the prize has been chosen as leading projects of the FPB (FPB 2007).

An additional example is the Eurovision Song Contest that was organised in Helsinki in 2007 based on the victory of Lordi with an unforeseeable monster show at the singing contest of 2006. The victory and Finland as a host of the contest year after managed to create publicity abroad of a positively peculiar country. However, no country branding efforts were initiated at the time of the event, and thus the rather exceptional world attention was perhaps not fully capitalised. Other previous events organised in Finland that have received wide global attention include the World Championships in Athletics in Helsinki 2005, which merely communicated to world the rainy summer of Finland (Isotalus 2007).

Finland has decided to partake in the World Expo in Shanghai in 2010 with its own pavilion. Based on the theme of the expo *Better City, Better Life*, Finland is expected to have a lot to offer, since it has reached a high level in environmental protection, city planning and in energy saving. (Formin 2007a) Apart from the Finnish organising team

itself, many Finnish actors prepare for the Shanghai Expo; the schedule of FPB's Finland internet portal in Chinese is scheduled for 2010; and Greater Helsinki Promotion has employed its sixth employee in China with intention of organising an investment road show in China by the time of the expo. Aside to World Expo, other events where contribution is seen important by the FPB include the cultural season programme in France in 2008 and Turku as Europe's cultural capital in 2011 (FPB 2007).

Country brand management

As was mentioned above, country brand creation is prioritised task of FPB, and it manages the both the theoretical and operational brand creation work. An informant from FPB clarified that FPB owns Finland brand in a similar manner as the brand management in private firms owns the company's brands. Further, the informant mentioned that FPB will continue owning the brand until some other organisation claims to do it better, and takes responsibility over it. As the brand image building is being lead by the tourism image created by MEK, the role of MEK in the overall country brand management seems significant.

In the first phase of country branding the plan for brand creation is produced. The plan includes theoretical framework for country branding, process related to success factors and best practices and a plan of the required actions for the country brand development. Moilanen (2007) summarizes the factors that enable success in country branding, and thus might be crucial for the Finnish country branding activities: (1) participation and commitment of the political and business leaders; (2) concentration on real resources and on the essence of "Finnishness"; (3) the citizens, Finns, living the brand; (4) delivery on product: focus on reality and ability to produce products and services that are in line with the brand; (5) consistency and coordination of the message; (6) clear organizational structures and responsibilities over the country brand; and (7) solid, long lasting funding.

The actual country brand creation will happen in the second phase of the process. (Markkanen 2007b) Moreover, Lehtonen (2007) mentions that the paste of the branding

process is not important and international experiences have proved that the implementation phase is at the core of branding.

For the moment the opinions of the participants in relation to the time span of country branding seemed quite realistic, opinions varying from 2 to 5 years for the length of the initiation phase and up to 20 years or lifetime for the whole process. An interviewee crystallised the time span by stating that country branding as a whole is a never ending process, not a project; the starting phase, however, is a project. An informant from stated that the branding process is persistent and the results will be visible only after several years, however, the positive and coherent Finland brand will without a doubt improve the marketing efforts of Finland, travel related and otherwise.

All of the interviewees were somewhat concerned about budget related issues. Lehtonen (2007) brings front the importance of financing the activities, since it determines the success possibilities of the whole process; insufficient or short term funding diminishes its success.

6.1.4 Country brand measurement

As brands are emotional motivators and exist in peoples' minds and thus are qualitative by nature, measuring them and their development is challenging. However, measurement tools are needed to be able to monitor the development of the brand building activities.

Country brand indexes that rank country brands according to preselected criteria are tools for brand measurement. Of several different indices a particularly renowned index with media proximity is Anholt Nation Brands Index (NBI)⁷. It was established in 2005 by Simon Anholt and GMI (Global Market Insite inc.) research agency, and polls a global panel of 25,000 consumers on their perceptions of currently 37 developed and developing countries. This results to a global opinion on the countries which is published yearly. Due to the relatively slow pace of nation brand development, the Nation Brand Index has

⁷ <http://www.nationbrandindex.com>

revised its actions and is now published on a yearly basis instead of prior quarterly measurements (see Anholt-GMI 2007). Each time the results are published media coverage increases for successful countries (see e.g. Ruohonen 2006, Song 2006, Wallström 2007). Anholt's Nation Brands Index has received some criticisms. Ritson (2005) doubts the exhaustiveness of and the facility to perceptually distinct the six areas of the framework, also the equal weight of the six points has raised questions and thus the problem is whether it is possible to estimate a concept as complex as a country's brand image through the presented six factors.

Nevertheless, in 2008 FPB aims to enrol Finland to Anholt Nation Brands Index (NBI). The decision was made since need to measure the brand emerged as systematic brand building activities are being initiated in Finland. An informant stated that the countries that want to be taken seriously in their branding effort should participate to NBI. The yearly cost \$ 60 000 of the NBI will be covered from the MEK yearly budget. Thus the results of the NBI will be used as development indicators in the branding process. However, it was mentioned by some of the informants that there are many ways to valuate country brands, and no foremost method has yet been standardized, therefore the results of NBI should not be assumed as the truth, but merely as an indicator. On the other hand, the amount of respondents to the NBI poll as well as the fact that the questions remain constant throughout years, beckon that the index can well be used to measure the development of the country brand.

The NBI is perhaps not the only country brand measurement system that will be utilised. Some informants considered that while measuring the general development of the country brand with NBI, there is a need to set measurable targets according to the selected key geographical target areas, and organise the brand building efforts systematically to achieve these targets.

6.2 Investment promotion in Finland

The positive impacts of foreign investment on the economy, technology and employment have been noted worldwide, as well as in Finland. This has resulted in intensifying competition for foreign investment between nations at all levels of development; the industrial countries among themselves, the developing countries against one another as well as the industrial and developing countries against each other (Formin 2006). Finland confronts the issue of investment promotion with the help of public organisation Invest in Finland. The organisation has developed strong cooperation networks both home and abroad which are utilised when pursuing the investment promotion activities. The investment promotion is based on factors of investment climate; advanced technology, skilful people, innovative and smooth environment, incentives or other financial benefits are not being offered (Hildén 2002). Before entering the topic of organisation investment promotion in Finland, the investment flows and investment climate in Finland will be introduced in more detail.

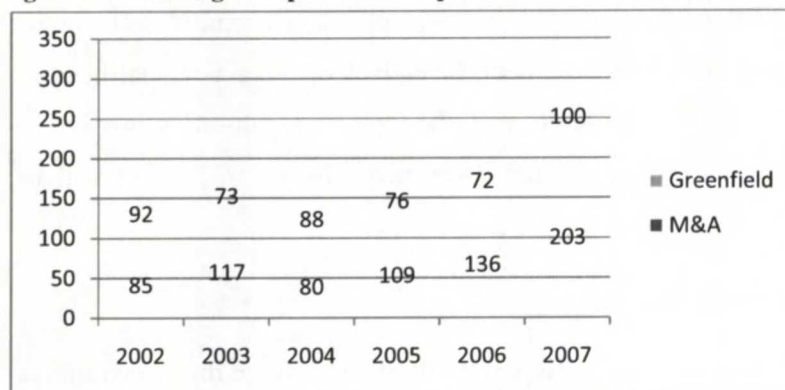
6.2.1 Finland as an investment destination

According to UNCTAD's World Investment Report 2007, global foreign direct investment (FDI) inflows rose in 2006 for the third consecutive year. This growth was shared by all major country groups: developed countries, developing countries and the transition-economies of South-East Europe and the Commonwealth of Independent States, and was driven by factors such as cross-border mergers and acquisitions (M&As) and favourable financing conditions. Of the developed countries, United States (\$175 billion), United Kingdom (\$140 billion), and France (\$81 billion), were the biggest receivers of inward FDI. (UNCTAD 2007) In total the investments towards EU 15 countries almost tripled from year 2004 to 2006 (IIF 2007). In addition, the inflows to the 10 new EU member countries amounted to \$39 billion - their highest level ever. (UNCTAD 2007)

The FDI towards Finland can be seen to follow the global trend: number of investments rise and the proportion of acquisitions increase. Still the development in Finland has been

moderate compared to EU 15 countries. However in 2007, the foreign investment to Finland increased substantially, 46 % from the previous year, and altogether 303 new foreign owned companies started in Finland. This is the highest figure ever registered. 2/3 of these were initiated through acquisitions and 1/3 as a greenfield investment (Figure 11). (IIF 2008) Still Finland is lagging behind the global growth rate, and is not receiving investments in equal proportion to its biggest competitors (Taivainen 2007). When compared to Sweden, Finland receives some 30 % of Sweden's annual inflows, and accounts only 1, 5 % of Nordic headquarters whereas 56 % of them are located in Sweden (Airaksinen 2006).

Figure 11 New foreign companies and acquisitions in Finland 2002-2007 number / year



Source: IIF (2008)

In 2006, on order of Invest in Finland, Taloustutkimus Oy conducted a study of investment motives of foreign companies located in Finland and their view on the Finnish business environment and investment climate. The results of the study reveal that the main motives for establishing a business in Finland include market reason (66 %), i.e. "presence in Finland is important to gain customers", and know-how. (IIF 2006)

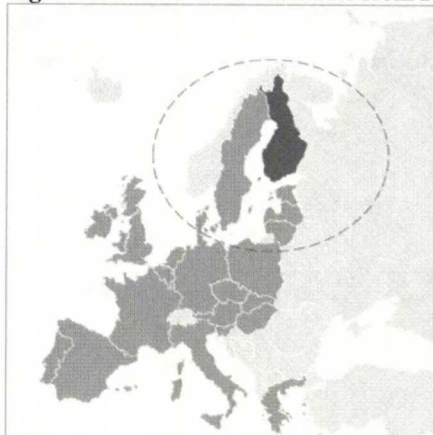
As conclusion of the study, the grounds for satisfaction include infrastructure that has traditionally been at the top of the list, technological knowledge, and level of education. An interesting variation of the results was the importance of safety, as it rose as the most satisfying aspect of the business environment among the respondents. (IIF 2006) This was

most likely affected by world events outside Finland. In general, the stability of the economy, lack of corruption, and security aspects of Finland are softer, *comforting factors* for the decision makers and can be seen as strengths and possible opportunities for the investment climate of Finland.

According to the study, the factors affecting most dissatisfaction among the foreign companies included the level of taxation, energy prices and labour costs. Airaksinen (IIF 2006) remarks that these elements continuously come up, and that in this regard Finland has not succeeded in improving its investment climate.

According to the informant of IIF, the first and foremost reason for investing in Finland relates to its distinctive location. Finland's central position on the market offers easy access to Scandinavian, Baltic, and Russian markets (see Figure 12). Together these markets account over 80 million people, and Finland has good connections logistically and knowledge- and relationship-wise. Another place distinctiveness factor comes up as a success factor of Finland; know-how and technology. Still, these are also utilised in order to seize the market. In opposition, regional activity in fields of e.g. innovation and R&D has only minor effect on the investment decision, and the activity of the public sector is seen merely as a comforting factor.

Figure 12 Market area reachable from Finland



Source: Invest in Finland⁸

⁸ www.investinfinland.fi

Based on the discussion above, the opinions of the interviewees and the definition of investment climate that was given in the introductory chapter of this study, Finland's investment climate as well as business environment can be described as positive, even very good. Many of those interviewed agreed that "product Finland is top quality". In Finland's case, the advantages for inward investors are clear as Airaksinen (2007) summarises: a competitive business environment, excellent infrastructure and a well educated workforce.

This is also verified by results of numerous international reports. As an example, Finland ranked sixth in the World Economic Forum's (WEF) *Global Competitiveness Report 2007-2008*⁹, however dropping four places from its second position in 2006-2007. The pillars of the 2007-2008 GCI in which Finland ranks in the top three are: Institutions (1st), Health and Primary Education (1st), Higher Education and training (1st), and Innovation (3rd). Further section of the GCR presents the Business Competitiveness Index (BCI), which is a more detailed examination of the microeconomic aspects of competitiveness, ranked Finland 3rd. In addition, WEF's *Global Information Technology Report*¹⁰ in 2006-2007 increased Finland's position with one step, to fourth place after Denmark, Sweden, Singapore and Switzerland. Judged by its innovation performance, Pro Inno Europe and the *2007 European Innovation Scoreboard (EIS)*¹¹ ranks Finland behind Sweden as the second most innovative country in the EU and among the group of "innovation leaders". Likewise, the *Corruption Perceptions Index 2007*¹² by Transparency International placed Finland on the second place, after having topped the list in 2006. Further, when it comes to the level of education, Finland was the highest performing country on the OECD's *PISA 2006* science scale¹³, a study of learning skills among 15-year-olds.

Having seen the rather moderate FDI inflow development to Finland, and at the same time the reasonably good success of Finland in competitiveness indicators that affect the

⁹ <http://www.weforum.org/en/initiatives/gcp/index.htm>

¹⁰ <http://www.weforum.org/en/initiatives/gcp/Global%20Information%20Technology%20Report/index.htm>

¹¹ <http://www.proinno-europe.eu/index.cfm?fuseaction=page.display&topicID=330&parentID=51>

¹² http://www.transparency.org/policy_research/surveys_indices/cpi/2007

¹³ <http://www.pisa.oecd.org/>

investment decision, a question why are there no more investments coming to Finland arises.

One of the reasons might be the limited public resources directed to investment marketing and promotion. An additional explanation might be the investment promoters' attitude towards marketing. Finland seems to count on the fact that the positive achievements and success will create positive attention on its own. This however may be an illusion since the overall awareness of Finland and Finnish companies abroad is still very limited. (Hildén 2002)

6.2.2 Investment promotion organisations

This chapter introduces the primary organisations that are involved in the foreign investment promotion activities in Finland. First, Invest in Finland bureau, the national investment promotion agency in Finland is presented, second, the investment related activities of the Foreign Service of Finland, Finpro association and Tekes will be outlined and, finally, the regional investment promotion agencies will be briefly discussed.

Invest in Finland (IIF). Finland has delegated the task of attracting foreign inward investment to the Invest in Finland (IIF), which was set up in 1992 as a public agency and is currently funded by the Ministry of Employment and the Economy. The budget of Invest in Finland in year 2007 was 2, 4 million Euros, and it has been on the same level for the recent years, even if significant budget increases have frequently been promised (Markkanen 2005). The office is located in Helsinki, where all of its 15 employees are based. IIF has no own offices abroad. IIF is an expert service organisation, and its main goal is to maximize new inward investment, but it also promotes additional investments by current investors. It provides a free and confidential service through a one-stop shop for foreign companies (Hildén 2002).

Invest in Finland reorganised its activities in 2005, and defines now its target market based on six industrial sectors among which Finland is seen as a potential investment destination, and eight geographical areas with great potential of attracting investors. According to the

IIF internet site the industrial sectors are Information and Communications Technology, Environmental Technology and Services, Healthcare and Wellbeing, Forest Cluster, Mining Industry, and Trade and Services¹⁴; and the target countries Sweden, Denmark, the Netherlands, the UK, the US, Germany, India and Russia. Also China has become increasingly interesting for IIF. (Lukkari 2005) According to the IIF informant, these sectors and the target areas account for over 70 % of the yearly foreign investments in Finland. Sweden forms the most important target market when measured by the amount of investments received, and is followed by the US, the UK and Denmark (IIF 2008).

The IIF's new strategy can be summarised in two words: focus and networks (Taivainen 2006). Due to its limited resources, IIF is tightly focused, but efficient organisation offering customised services to meet specific needs. IIF¹⁵ assists companies in every stage of the investment process from market data collection, business opportunity analysis, evaluation of entry options, network creation to various parties, choice of location, and business establishment. The work is based on networking, especially with other players in the Finnish innovation system. (Airaksinen 2007) IIF has actively increased cooperation with regional development organisations and T&E Centres (Employment and Economic Development Centres) in order to serve the foreign investors in Finland better (Lukkari 2005).

IIF also receives direct queries from foreign investors which it responds reactively. Over 50% of its customer contacts are reactive in manner and most of them are received through its internet site. The IIF informant considers reactive queries very important, since it implies that the prospective investor is already interested in Finland, and has made a commitment to start searching for more information. The internet site of IIF, www.investinfinland.fi, receives over 6 000 visits monthly (Hildén 2002).

In addition to actual Finland sales and customer consulting work, IIF communicates to targeted medias and companies about Finland as business environment, the economics of

¹⁴www.investinfinland.fi

¹⁵www.investinfinland.fi

Finland, and the development of the target industries in Finland. This effort also aims at increasing the general Finland awareness. (Hildén 2002)

Furthermore, IIF keeps a register of the foreign companies that establish operations in Finland through M&A or greenfield mode. This register is based on IIF activities and public information, (Hildén 2002) and successful cases are highlighted on IIF website in order to inspire potential investors.

Equally the activities abroad have been developed towards more cooperative manner, and the main partners are the Foreign Service of Finland, Finpro and Tekes (Finnish Funding Agency for Technology and Innovation). Their activities as regards to investment promotion will be discussed in more detail in the following chapters.

As mentioned above, Invest in Finland bureau is the only organisation in Finland solely committed to investment promotion and operates with 15 people and a yearly budget of approximately 2, 4 million euro. When comparing this to similar organisations abroad, IDA Ireland promotes investments aggressively with its 300 employees (Koskinen 2007) and extensive 200 million euro budget. Also the budget of Invest in Sweden Agency, which is known for its strong marketing, is over 20 million euro. (Markkanen 2007c) A substantial increase in the resources directed for investment promotion activities is both necessary and urgent, IIF informant emphasises. Further resources are required in particular as the general deficiency of Finland is considered to be the lack of sales and marketing skills (Markkanen 2007c).

Foreign Service of Finland. Considering the intensified international competition and the scarce resources, activities of IIF are supported by the Foreign Service and its network of diplomatic and consular missions abroad. (Formin 2006)

In respect of investments, the Foreign Service of Finland attempts to increase knowledge about Finland as an attractive target of foreign direct investment. In addition, it enhances Finland's international visibility among investors and thus aims to increase the flow of

foreign capital and direct investments in the country. Furthermore, Finland is marketed as target of investment in connection with important international high level meetings and visits. (Formin 2006)

The main investment promotion activities of the Foreign Service consist of contacting clients and identifying fields of business and target countries that would be of interest for Finland. After the decision of the target countries, attention is paid to their volume and potential of foreign investment, and to the fields of activity. (Formin 2006)

However, the acts of investment promotion are not equal in all embassies and consulates. The actions are dependent on the local market issues as well as on the size of the embassy. Therefore, the commonplace activities concerning investment promotion consist of responding to enquiries and providing accurate information when needed. The role of embassies can increase based on assignments on Foreign Service.

Still, as mentioned in Chapter 6.1.1, the embassies and consulates work to enhance the country image of Finland in their relevant markets, which in turn can have an effect on potential investors' decisions.

Finpro. The functions of Finpro association were already discussed in Chapter 6.1.1 where its travel promotion related cooperation with MEK was emphasised. When it comes to investment promotion activities, Finpro has an equally important role, as IIF purchases services from Finpro since December 2006. According to the cooperation mode, approximately five Finpro employees, in selected markets of the US, the UK, Denmark and Germany, act as Invest in Finland representatives towards potential customers conducting active sales effort and customer relationship care. The industries on which Finpro concentrates are selected according to the market. After one year of activities, the cooperation was estimated as excellent, and all the participated Finpro offices had reached their goals. (Alapartanen 2007) Also the statistics speak up for the cooperation, as there was a significant increase in inward investments in 2007 (IIF 2008).

From the customer point of view, the relationship is built directly with IIF organisation, since the Finpro representatives have IIF email, business card and an access to IIF's CRM data base. As the potential client shows interest, the relationship management is handled by IIF consultant.

The Finnish evidence implies that the efforts of export and investment promotion can be combined. Moreover, the internalisation of Finnish companies reflects strongly to the direct investment made in Finland (Hildén 2002).

Tekes. The Finnish Funding Agency for Technology and Innovation, Tekes¹⁶, is the main public funding organisation for research and development activities in Finland. It funds industrial projects as well as projects in research organisations, and especially promotes innovative, risk-intensive projects. From its part Tekes promotes foreign investment to Finland by utilising its global network that brings together world-class technology companies, universities and research organisations with the intention of pairing them up with their Finnish counterparts, and possibly encouraging R&D investment to Finland. Tekes has six offices abroad in Beijing, Shanghai, Brussels, Tokyo, Silicon Valley and Washington D.C.

Regional investment promotion agencies. Finland has over 130 regional investment promotion actors, whose activities are directed to attracting investment towards areas, communities or cities in Finland.

Probably the most influential of these regional organisations is Greater Helsinki Promotion Ltd. (GHP)¹⁷. It promotes the investment and attracts companies and people with capabilities to the region of Espoo, Helsinki, Kauniainen and Vantaa and their surrounding municipalities. It was established in 2006 by the Councils of the involved cities and the Uusimaa Regional Council. The establishing municipalities have agreed to an annual 3, 5 million euro budget. The informant from GHP described the establishment of the

¹⁶ <http://www.tekes.fi/eng/tekes/>

¹⁷ http://www.greaterhelsinkipromotion.fi/greater_helsinki_promotion/

organisation as a second start for the investment promotion towards the Helsinki metropolitan area, the first promotion organisation *Helsinki Region Marketing* having confronted several challenges; lack of shared objectives, cooperation difficulties and lack of commitment.

The current trends indicate the dominance of the capital city as an investment destination once the country has been selected (Capik 2007). This is particularly true in Finland, where the greater Helsinki area receives majority of Finland's FDI inflow, about 70 % of the total inflow in 2005 (Vainio 2006). Therefore the Greater Helsinki Promotion Ltd. considers having a national mission. What benefits Helsinki, benefits equally also Finland. Helsinki is, nonetheless, considered as the only internationally known city, a metropolis in Finland that has at least some brand features (Karttunen 2007).

The activities of GHP are strongly based on cooperation. Cooperation in the investment promotion activities is intended with Invest in Finland as well as with other regional promotion agencies, public organisations, research centres and others. The messages, visions and actions of GHP and IIF support and complement each other. A difficulty in the cooperation is the disproportion of the budgets, GHP having substantially more. GHP cooperates and communicates also with other regional offices. However, partnerships in projects are challenging due to size and resource limitations of other regional actors. To be able to serve the customers, coordination and cooperation initiatives towards Finnish companies, research institutions and others are pursued. The company recognises that individual achievements are trivial to results of cooperation.

6.2.3 Coordination and cooperation

National coordination

In Finland the importance of coordination and cooperation between different actors promoting foreign investment to Finland seems to be well acknowledged. Also, based on the evidence, strong importance of coordination and cooperation is somewhat due to the scarcity of resources that are available for the investment promotion responsibilities. On the other hand, the informant from GHP pointed out the importance of cooperation and shared

visions and brought up the insignificance of individual activities, which supports the selected mode of operations.

One of the central objectives of IIF is to promote enhanced coordination within the network of actors promoting investments to Finland. According to the informant of the IIF, a country wide project aiming at the development of a complete and aligned Finland offering has been initiated. Consultants have analysed and discussed with relevant parties involved in city, community or region promotion, with the intention of distinguishing the strengths and opportunities for each particular area and aligning these propositions together in order to minimise the conflicting messages and to achieve a compelling Finland offering for foreign investors.

Prior to this effort, there was often confusion, many areas would promote themselves as the “centre of information technology in Finland”, based on Finland’s success on the field in the 90’s. The areas were also operating alone in the world markets and often were too small to actually retrieve the foreign investments (Hildén 2002). After the alignment of the messages, each area should have realised their own particular advantages in investment promotion and possibly found know-how or niche areas to focus on. Further, on the national level, foreign investors can be served better by offering a specialised, complete Finland offering and pointing out real location benefits. According to the informant of IIF, most of the areas were interested in such collaboration. However, it must be noticed that there is competition among the regional development agencies as the flows of FDI towards Finland are rather limited.

There is still a need to improve the cooperation and in particular communication between the investment promoters. Lukkari (2007) comments the visit of Shanghai Industrial Investment Company in Finland by the invitation of GHP fall 2007. Other parties such as IIF or relevant ministries had no information about the SIIC visit. If information had been shared, a high level meeting could have been organised, which might have had a positive effect on the outcome of the visit.

International cooperation

IIF is the only WAIPA (see Chapter 3.2.1) member organisation in Finland. None of the Finnish regional investment promotion agencies belong to it. Since investment promotion is a task that requires both national and international cooperation, membership in WAIPA with its networking opportunities, best practice sharing and aid with promotion tools might prove useful for Finnish regional agencies that are sufficiently scaled and budgeted.

Even if the European investment promotion agencies (IPAs) do objectively compete for FDI, WAIPA (2007b) assumes that there is sufficient complementarity to make cooperation both feasible and worthwhile. In Finland this cooperation is conducted in particular with Sweden. According to the IIF informant, the two countries actually claim not to compete with each other but to mutually promote each other. Also best practice sharing and other initiatives are shared between the two countries.

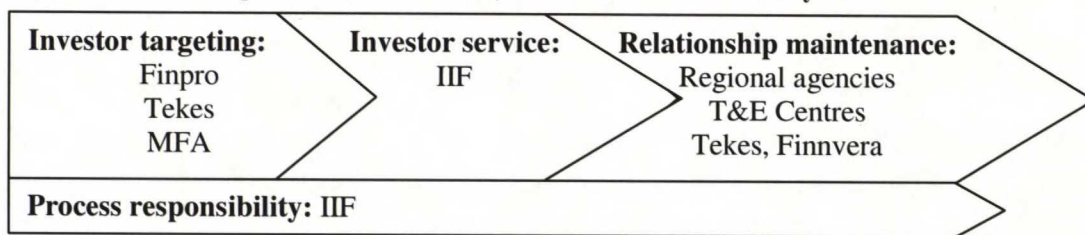
Another current cooperation project mentioned by the IIF informant deals with the Baltic Sea Region and their activities of attracting investors from India. The promotional organisations from the Baltic Sea area realised that they are equally similar, distant and unfamiliar to Indian investors that they can compete better with other appealing regions and countries by combining forces. Likewise, the capitals of the Baltic Sea are seen to form an internationally attractive combination, which is worth emphasising (Karttunen 2007). However, many interviewees addressed their concern regarding international cooperation in investment promotion. Often it was felt that the natural partners for cooperation, Sweden and other Nordic countries would seem too compelling or have more resources so that they would outperform Finland as a recipient of FDI.

6.2.4 Investment promotion activities

This chapter will reflect the establishment of investment promotion activity in Finland and to the organisations that are involved (Figure 13). Also the division of the principal tasks among investment promotion actors is discussed. The central involved organisations were presented above in Chapter 6.2.2.

In Finland, investment promotion activities are divided into three sets of activities based on the investment promotion service chain conceptualised by Invest in Finland. The steps in the service chain are: *investor targeting*, *investor service* and *relationship maintenance*. As IIF is the main organisation responsible for the investment promotion activities in Finland, it has the responsibility for the overall process. The activities of Finnish investment promotion service chain will now be presented in more detail.

Figure 13 Investment promotion service chain, actors and roles as viewed by IIF



Source: Airaksinen (2006)

Investor targeting

In Finland, investment generation activities are viewed more as investor targeting activities. The targeting of potential investors is primarily performed according to selected geographical markets and industries (see IIF in Chapter 6.2.2). In the evaluation of prospective investors abroad, IIF needs assistance in particular from Finpro, and MFA and Tekes (Markkanen 2005). The targeting tasks are mainly handled by Finpro in selected target countries acting on a commission of IIF. Tekes and the Ministry of Foreign Affairs practice investor targeting more case specifically; Tekes, is in particular focusing on innovation and R&D driven prospects.

In case new geographical target markets are sought after, customer attainment work abroad is pursued by first conducting a market research in the target country which clarifies the investment potential towards Finland. Based on the research, direct marketing activities among the potential investors are executed. (Taivainen 2006)

Direct marketing is generally initiated by contacting potential investors via telephone and giving a sales pitch about Finland. If the prospective shows interest, a face to face meeting is arranged. An email containing more information is sent to the prospective to uphold the interest. During the personal meeting, the Finland offering is presented as well as the services that are provided to foreign investors are presented. When intention is to target R&D investments, the highly ranked innovation environment of Finland with its strong public private networks and possibility for public funding is highlighted. Also the additional information requirements of the investors are plotted, and relevant information can be delivered after the meeting.

As the customer relationship is formed, its management is transformed to an IIF employee in Finland.

Investor service

Investor service is the primary task of IIF, and includes services throughout the investment decision process; pre-investment, decision making, and post-investment services. These include also after care and corporate development support. These activities were already discussed in Chapter 6.2.2 where the activities of IIF were presented. In addition to the servicing the investors that have been proactive targeted by IIF partners, IIF in Finland receives some hundreds of contact requests annually which it responds reactively. (Taivainen 2006)

Relationship maintenance

The relationship maintenance and further development, and possible generation of additional investments forms the last part of the Finnish investment promotion chain. Here, national cooperation is boosted by increasing the responsibilities of the regional development agencies in particular in the “after sales” services (Markkanen 2005). IIF is directing its activities towards resource seeking companies whereas the investment promotion work towards the companies currently present at the country are mostly handled by the regional development offices and others. IIF has actively increased cooperation with regional development organisations and T&E Centres (Employment and Economic

Development Centres) in order to serve the foreign investors in Finland better (Lukkari 2005). This would aim at increasing the satisfaction of the investor, and possibly leading to positive word of mouth or increased investment activities to the region. However, currently there is room to develop and improve the service offering of T&E Centres in particular if a strategic partnership with IIF is to be agreed (Harjunen 2006). The regional agencies are also encouraged to cooperate in the trade mission abroad, depending on the region competencies (Lukkari 2005).

Tekes and Finnvera maintain and deepen the relationship from their part by providing assistance in R&D activities, and in marketing and sales (Tekes) and providing financing services (Finnvera). The foreign companies based in Finland are entitled to all the same benefits, incentives and services as the Finnish companies.

6.2.5 Investment promotion tools

The investment promotion tools were discussed in Chapter 3.2.3, where their efficiency and usefulness in investment promotion was debated. When it comes to the investment promotion tools that are utilised in Finland's investment promotion activities, the list of tools remains relatively short.

Personal selling is the corner-stone of Finnish investment promotion, and the importance of personal contacts and initiatives from investment promoters side are emphasised. The importance came across already in the previous Chapter 6.2.4 where the investment promotion activities were discussed. Personal selling and personal contacts and meetings are also pursued through participation to investment related or industry specific seminars and fairs. Often these seminars and events offer possibilities to arrange meetings with various significant persons on the fields efficiently, since they have gathered to same location and are at the moment often looking for new opportunities, and in that sense open to suggestions.

Direct mailing is practiced from time to time and targeted to companies that have at some point expressed their interest towards Finland as a location choice, and thus their contact

details are stored to IIF data base. IIF also practices direct mailing towards selected industries.

According to interviewees Finland does not use *advertising* in its investment promotion activities. IIF has decided that due to scarcity of resources it does not perform advertising that would aim at building the image of the country abroad

Internet is utilised in investment promotion by IIF. In particular, internet is used as a channel for information provision. The homepage of IIF contains various facts sheets, news services, industry analysis and the contact information to industry specialists who can be contacted in order to receive personal service. Also *storytelling* takes place in the internet site of IIF, in a form of cases of well established foreign investments to Finland. These success cases are meant as sources of inspiration for other foreign investors. In addition, sometimes these success cases are presented during seminars and events.

6.3 Analysis and discussion

In this chapter the findings of the empirical study will be reflected to the theories that were discussed earlier in the literature review of this study. The analysis and discussion will follow the path set by the theoretical framework of the study (Figure 9): the country branding initiative in Finland; investment promotion activities in Finland; and the relationship between the two.

6.3.1 Country branding initiative in Finland

Since the country brand management activities in Finland are only recently commenced, the discussion will cover the issues that are relevant for the initiation phase of country brand management.

The brand creation is the prioritised task of Finland Promotion Board, which has been established as a responsible organisation for the operational country branding activities.

This supports Olins' (1999) views that members of the working group must be responsible for developing, launching and managing the brand. In addition, an advisory board consisting of notable personalities from the private sector and that would be used to get public opinion behind the branding efforts is on the process of establishment. Also Rainisto (2003) insists that the most successful country branding initiatives are conducted by public-private partnerships. The long time span of the country branding process as suggested by Olins (1999, 19) and Domeisen (2003) seems to be apprehended by the interviewed members of the FPB.

The rather late awakening for country branding effort in Finland may prove as one of its benefits. This has created an opportunity to learn from success stories as well as of failures that the country branding efforts in the world have faced. Ideally these general pitfalls could now be avoided in Finland. The article of Moilanen (2007) summarises these learnings.

Theory suggests that the national identity can be considered as the brand identity of the country (Anholt 2007). Thus the national identity is in the core of the country brand, and must be defined when initiating the country branding process (Kapferer 1998, 94). In the Finnish example it seems that such efforts have not yet been performed. And thus should carefully consider whether the identity has been thoroughly researched. Identity analysis is needed. A conceptual model by Zerrillo and Thomas (2007) that presents a country brand platform could be utilised in the country brand identity creation. Anyhow brand identity forms the foundations for building the brand image. Olins (2002) considers that sometimes invention or reconstruction of national myths, like Finland's Kalevala was used to create a feeling for national identity which could be shared by all those living in the nation and respected, admired, feared or at the very least acknowledged by its neighbours. In addition, current study suggests that people's opinions about the country identity should be collected so that the identity can reflect the country reality accurately.

The dimensions of country image as viewed by FPB are similar to those discussed in the literature (see e.g. Anholt 2007, Kotler et al. 1997), but grouped according to the

organisations that manage the communications on the field. Thus, roughly put the Ministry of Foreign Affairs manages political dimension; Finnfacts, Finpro, IIF the business dimension; and MEK tourism dimension. According the literature, the country brand should have the power to unite several viewpoints and dimensions under one umbrella, from where the messages could then be modified according to the target audiences (Anholt 2004b, 26-27). The importance of creating this brand umbrella that would fit to all dimensions was emphasised already in Chapter 6.1.

As was mentioned before, the travel related brand image building is spearheading the overall country branding process. Szondi (2007) presents an example from Hungary that supports this development. In Hungary, developing a more coherent country brand for Hungary was enforced by setting up the so-called “Hungary Roundtable” in 2005 where the Hungarian National Tourism Organisation played a coordinating role. Even if the round table itself came to halt at a time of the next elections in 2006, the role of tourism organisation as the main coordinator was found relevant due to the fact that the travel related location branding efforts had been professionally developed for years and the travel brand has been successfully communicated in Central European countries. Based on the example of Szondi (2007), the holistic brand development in Finland can justifiably be lead and coordinated by MEK that has experience of the travel related image creation work.

However, if MEK becomes the coordinator of the branding practice, constant communication with other stakeholders of the country brand would be necessary in order to achieve a holistic country brand. Moreover the dimensions of business, politics and culture are not mutually exclusive.

The image study of Finland is ongoing. Here the image is mapped by applying the image of Finland to the image-familiarity matrix by Rope and Methner (1987), Finland could be considered as *unknown country* (field C), where its primary task would be to increase its familiarity among the world audience, and boost its image. On the other hand, according to studies (e.g. Saraniemi & Komppula 2003) and the opinions of the interviewees, the image of Finland is positive but weak. Therefore, Finland could also be considered as a *potential*

image leader (field A), which could be achieved by increasing its awareness. Likewise, Anholt (2005, 110) mentions that image of Finland may communicate something to some people, but the meaning is local and not very powerful. This implies that a major task in the Finnish country brand building is indeed increasing familiarity of Finland and its share of voice globally, or in selected target markets.

However, getting formatted messages through in the media is challenging, since editors and journalists have understanding on what kind of information people like to consume, and most consumers have limited appetite for true, balanced and informative data (Anholt 2005, 106). According to an informant of the study, the image of Finland among the foreign media can be describes as that of a “top student”. This means that the messages that get publicity globally often deliver positive achievements, such as success in the international rankings. These messages are not necessarily regarded as most interesting by the consumers, and thus the share of voice in the media remains rather low. Anyhow, in occurrence of negative publicity, such as the school shooting in Jokela in fall 2007, the share of voice can increase substantially.

The current author considers that efforts should be placed to attempt to find a way to deliver positive messages to the world audience in a way that they arise to the interest of the audience. An exciting venue might be the online environment, where the rules of communications are changing. Furthermore, the sole information provision activities are not successful in increasing the awareness of a nation abroad if the country is unknown, the informant form MEK highlighted. People are not interested about the increased information if they do not have any relationship towards the country. Storytelling in brand creation process can be used to raise the interest of the audiences towards the country.

6.3.2 Investment promotion activity in Finland

As discussed in Chapter 3.2.1 Wells and Wint (2000) consider *policy advocacy*, *image building*, *investment generation* and *investors servicing* as the principal tasks of an investment promotion agency. The example of Finland suggests otherwise. Thus, Invest in Finland views the activities somewhat different to the classification of Wells and Wint

(2000) consisting of *investor targeting*, *investor service* and *relationship maintenance*. Moreover, according to a study by UNCTAD (2001) the core activities of IPAs in OECD countries consisted of investor targeting, consulting services and after care programme, which is more in line with the views of IIF. It seems that policy advocacy and image building activities are left outside the scope of activities in the Finnish and the OECD models. Aside to these two activities, promotional activities are viewed similar to those suggested by Wells and Wint (2000), and are merely grouped differently. The two differing activities are now discussed in more detail from the perspective of Finnish experience.

The activity of *policy advocacy* is perhaps not seen as relevant in OECD countries such as Finland that are highly developed and economically stable. Still, IIF considers that the primary means of attracting investments is affecting industrial policies, given that the policies have a direct effect on the investment decision, and the investment promotion activities are only secondary activities in investment attraction (Taivainen 2007). Moreover, investment promotion activities are the primary means of IIF to tackle the issue of investment attraction, since the Finnish investment climate has already been developed to a rather high level, and need for policy advocacy would possibly arise quite seldom. However, an adjustment that might make Finland more attractive destination for FDI would be possibility for tax deduction of R&D expenses (Leinonen 2006).

When it comes to *image building* activities, IIF has no role as such in the brand development activities of Finland and no budget or objectives of this kind have been allocated. Nevertheless, the CEO of Invest in Finland is a member in the Finland Promotion Board and thus the organisation has a voice in the current brand building effort. Also, the importance of a country image in the investment attraction work is acknowledged by the IIF. On a theoretical level, Finland as a “product” can be considered as being easy to sell due to its distinctive benefits; however an informant admitted that selling Finland is quite challenging. It was commented that a strong brand or at least stronger international awareness would make a difference in the sales situation. The image of Finland abroad, as was discussed in Chapter 6.1.3, is positive but weak and quite unsubstantial. This would imply that actual efforts of increasing the awareness of the country abroad, would serve

also the investment promotion and facilitate its activities. Even if IIF does not practice any direct image building activities, its indirect activities and foremost presence at various events and fairs, websites, information provision activities and high quality services are involved in building the image of Finland.

The idea that investment decision are not based on hard facts, but are actually reasonably much affected by the experiences, views and images the decision maker has about a country was supported by the interviewees. Also it was considered that even very peculiar things can have an effect; it is at the end a personal decision. Therefore it seems logical that the investment promotion activity in Finland is based strongly on investor service and personal selling; this the way of delivering the message in a way that creates personal experiences.

The scarcity of resources that the government budgets for investment promotion activities is currently possibly the biggest difficulty the promotion is facing, and would need to be resolved. As it was mentioned, personal selling is one of the main promotion activities, and the activity is directly related to the amount of resources. Current study considers also that further improvement of investment promoters' internet pages towards more interactive direction that would allow virtual relationship building and act as a base for image building and for the future country branding, might from its part act to cover possible shortage in human resources.

It is difficult to assess the performance of the investment promotion agencies, and their contribution to the economic development of the country, since it is unknown which projects would have not materialised if the investment agency had not existed. However, the increase in amount of investments made to Finland in 2007 compared to 2006 is substantial, 46 % (IIF 2008). Also, cooperation between IIF and Finpro was initiated in the beginning of 2007. Moreover, according to the statistics, most of the investments came from the same target markets where Finpro has been acting as an IIF representative; the US, the UK and Denmark, and most notably from the field of Trade and Services (IIF 2008), which is Finpro's target field in the UK, Denmark and Germany. This would imply the

direct effect of increased resources on the amount of investments. Furthermore, the success of the cooperation indicates that investment promotion activities might require presence at the target market. Units that are specialised in investment promotion activities and have knowledge on both home and target markets seem to be efficient in attracting the investments.

Currently the promotion of inward investment is concentrated on certain industries and regions; it would however be important to maintain the flexibility in the activities so that the possibly changing conditions could be responded. The increasing interest towards China as a source of inward investments presents an example that would require adaptation and additional skills and resources. Moreover, it can be assumed that by widening the IIF - Finpro cooperation further to other markets and sectors additional increases in investments could be attained. There is a range of areas globally that have not heard of the benefits of Finland as an investment destination and thus have not placed Finland on their investment location short lists.

6.3.3 Relationship of country branding and investment promotion in Finland

Informant from IIF agrees with the idea that investment promotion is based on the attractiveness of the country in the eyes of global investors, and admits that this actually is a challenge, the weak spot of Finnish investment promotion activities at the moment, since no brand building activities have yet been carried out. In particular, it was mentioned that the country brand is considered to affect the location decision if the investment climates among the countries that are on the investors' short list are similar. This is often the case with Finland, since its general competitors, the other Nordic countries have similar economical and political foundations.

A challenge in Finland's current country branding activities seems to be the lack of direct responsibility towards the business audience of the country brand. As was mentioned in Chapter 6.1.2, the country brand in Finland is seen as a three dimensional entity comprising of the aspects of politics, business, and tourism. For the moment, it seems that the tourism aspect of the country brand is being actively developed and managed by MEK. It was

mentioned during the interviews that the whole country branding process of Finland is actually spearheaded by the travel aspect of the country. This aspect also has directed funding and personnel responsible for the activities.

In addition, the political aspect, that also comprises cultural and societal sides, appears to have the Ministry of Foreign affairs as the natural responsible for the activities. However, it seems that no direct country branding activities as such have yet been initiated. It was mentioned that the political aspect of brand building will be spearheaded by culture. Therefore, financial resources have been directed to promotion of cultural exports, which supports the activities on this aspect.

Moreover, the business side of the country branding initiative, that encompasses export and investment promotion, seems to be currently in unsatisfactory situation. It appears that systematic branding efforts are not directed to anyone's responsibility. Also funding of country branding in this aspect is unsettled. The communication initiatives between investment promoters and export promoters are currently somewhat coordinated and rarely conflicting. However, establishing a strong business related image of Finland would require more cooperative activities. The main communicators relevant to business are Finpro, Invest in Finland and Finnfacts. Finpro promotes exports based on assignments and thus fitting country branding activities from business perspective to its focus areas does not fully suit its operation strategy. Invest in Finland promotes Finland as an excellent investment location, and the country branding activities would therefore fit its activities. However, the current activities of IIF seem to be managed with a rather limited budget. Thus adding country branding activities to its currently consulting related activities would require a substantially larger budget to employ brand marketing professionals and manage the related activities. Finnfacts, that currently deals with media relationships regarding business life in Finland, might also become the business brand responsible. Currently its activities are highly focused on the export and internationalisation sides of the business and are not directly dealing with investment promotion. However, it already has experience from international media relationships, which would prove as a benefit in country branding.

In addition to the creation of a business aspect of the brand Finland, the most relevant issue of country branding benefiting investment promotion is coordination of communication activities abroad. For investment promotion purposes, the possible visual elements and slogan are fairly unimportant, and increasing the general awareness of the country through coordinated messages is considered more important.

To summarise the discussion on the relationship of country branding and investment promotion in Finland, it can be stated that currently the relationship between the two consists of *communication* in the context of Finland Promotion Board. It seems that a critical issue in the country branding is finding and nominating an owner for the business side of the country brand. After that, a more powerful relationship with the investment promoters can be established and the country brand management and its benefits can be utilised to strengthen the investment promotion activities with the possibly created country brand as an enabler in the activities.

7. SUMMARY AND CONCLUSIONS

This final chapter of the study summarises the answers for the research questions and presents the main empirical findings of the current study. In addition, the contribution to the theoretical discussion on the topics is summed up and a revisited theoretical framework and policy implications for Finland are presented. To finish, recommendations for further research are given.

7.1 Summary of main findings

The research problem of the thesis was summarized by the question of: *“How are country brand and country brand management utilised in investment promotion in Finland?”* which was divided into two research questions. The first research question, *“How are countries managed as brands?”* was answered by presenting a process of country brand management that consists of creation of identity, management of image, and coordination of communications with the aim of delivering the messages for internal and international audiences. The second research question *“How are location decisions of foreign investors influenced by means of promotion and country brand?”* was responded by presenting the investment promotion activities; policy advocacy, image building, investment generation and investor service, as well as discussing the increasing role of personal opinions and experiences of the decision-maker in the location decision, which lead to the conclusion that a country brand with its relationship building capabilities can act as an efficient means in the promotion.

The theoretical discussion of the literature review aimed at answering the main research question on a theoretical level. This was pursued by building a theoretical framework that created a relationship between country brand management and investment promotion activities. It was suggested that a country brand acts as *an enabler* in investment promotion activities. However, this needs to be supported by creating a communication channel

between the actors. The framework guided the empirical research, and the research problem will now be discussed based on the empirical findings on the case of Finland.

The empirical findings suggest that the importance of country brand management for the competitiveness and international awareness of Finland has been acknowledged by the actors on the field of Finland's external communications as well as the government of the country. Currently the brand of Finland, "Brand Finland" is considered nonexistent. Thus far, the lack of one united brand or at least the uncoordinated central messages may have hindered the presentation of Finland abroad and made it difficult to increase the awareness of the country. Therefore a particular body, Finland Promotion Board, responsible for country branding and for coordination of foreign communication in Finland has been regularised in 2006. This implies that coordination of communications as well as communication and information sharing among the relevant parties communicating about Finland is seen as a facilitating factor in brand building. Moreover, the Finnish example attests that coordinating the activities and the communications are more important in country branding than visuals and slogans of the country.

Indeed, the country branding activities in Finland are in the initiation phase. The foundations of country brand building are being set by conducting research about the image of Finland abroad, examining success factors and best practices with examples from other countries practicing country branding and creating the plan of action. Based on the study, more emphasis should be paid on the creation of the brand identity before progressing further with the activities. The brand image building has been initiated from the tourism dimension, whereas political and business dimensions still require definition of responsibilities. Moreover, a common core and objectives for these brand dimensions still need to be addressed.

This study has emphasised the importance, and even necessity, of a country brand in the constantly increasing global competition among countries. This has been supported by opinions of country branding researchers in theoretical papers and by the opinions of Finnish country branding professionals and practitioners. In addition, the actors of

investment promotion in Finland agree that a strong country brand would serve them in their activities of attracting foreign investors; country brand is thus considered valuable in investment promotion. However, currently country brand or country image are not consciously utilised in investment promotion in Finland. In the light of this study it seems that even thorough marketing techniques or branding cannot replace the importance of competitive location conditions, i.e. business environment and investment climate in the location decision.

Moreover, country brand is something that has to be built and actively managed. This study suggests that for a place brand, there are a number of impediments to overcome. The most important of these include the lack of a decision-making authority, obscurity in responsibilities, multiplicity of stakeholders and multiple identities, which make the coordination and management of a place brand complex. In order to succeed in country branding and benefit from it, the financial and human resources, acceptance from stakeholders, cooperation and commitment need to be addressed.

So far, it seems that support is given from the government level to the brand building activities. However, the financial input for the project is still unsettled. Coordination and other brand building activities require stable and long lasting financial resources. Investments should be made to develop a branding strategy, because it can help a country to gain various benefits, achieve growth in the tourism industry, exports and investments, improve diplomatic relations as well as enhance the overall competitiveness of the country. To conclude, this study proposes that the Finnish country branding effort should seek further financial support from the government as well as emotional support from other stakeholder groups, such as the inhabitants of the country.

Thus to *summarise* the response to the *main research question*, it can be stated that in the case of Finland, the country brand has the possibilities of developing into an enabler position in the investment promotion activities. The brand management process is currently in the initiation phase and several impediments need to be defeated.

As a conclusion, the main empirical findings of the study are as follows:

1. Currently Finland is considered to have no brand features. However, the importance of country brand management has been understood by the Finnish officials, and the country branding work group has been established. The country branding process is in the initiation phase.
2. Cooperation and communication between the responsibilities of Finland's external communications are considered increasingly important and also beneficial in the country branding effort. Finland Promotion Board acts as communication channel between the parties.
3. The investment promotion actors regard country brand as an important factor for increasing awareness of Finland that would facilitate their activities. Currently the image is not consciously utilised in investment promotion activities.
4. There is a need to overcome the general difficulties relating to country branding, which include financial and human resources, acceptance from stakeholders, cooperation and commitment.

These findings were based on the data gathered through focused interviews and documentary information collected by the current researcher on the topics of country branding and investment promotion activities in Finland. Next the theoretical framework is revisited in the light of these findings.

7.2 Theoretical contribution

The theoretical contribution of the study was aimed for the field of branding, in particular country brand and country brand management as well as for the field of investment promotion. These fields of theory have been integrated together in the theoretical framework of this study (see Figure 9). The relationship that was built between country brand management and investment promotion in the framework brought a novel conceptualisation to the rarely researched aspect of country branding. Given that the country branding programme is currently being initiated in Finland, the study provides relatively little empirical contribution to theories of country branding, since activities are still in the planning phase. Moreover, for the same reason the current study does not fully succeed in validating the proposed theoretical framework (Figure 9) empirically; however at this stage it appears that the activities might support the created framework.

The Finnish example of country branding highlights the importance of building theoretical foundations for the activities. In addition, the necessity for serious consideration and planning prior to kick-starting the actual activities is highlighted. Furthermore, the country branding process in Finland seems to be theoretically as well as empirically founded, in particular the views and experiences of branding consultant Simon Anholt seem to be adopted by the Finnish country branding actors. The empirical evidence has also been collected from other countries' country branding activities in order to avoid general pitfalls in the process.

Moreover, the importance of coordinated messages in Finnish country branding attest that country branding should consist more of coordinating the communications than of creating visual symbols for the country.

A particular topic in the initiated Finnish country branding process that is highlighted more than in the general country branding theory is the establishment of an authoritarian group

for the country brand. The main function of the group is seen to increase the importance of the country branding initiative in the eyes of Finnish citizens, organisations and companies.

The current study examined the nature of organisational settings of investment promotion agencies contributing to the discussion about the complexity of the FDI promotion process. In particular, the theory of Wells and Wint (2000) regarding the activities of investment promotion agencies was reviewed. Taking into account that the business of investment promotion is rather recent, many of the investment promotion agencies are reaching rather mature stages in their operations. In the study of UNCTAD (2001), many of the agencies considered that their activities will relevantly change in the coming years, as the best practices are identified. Thus, it might be relevant to revisit the research of Wells and Wint (2000), which places its theoretical foundations to year 1990 and ensure that the activities are in fact currently practiced by the investment promotion agencies that are now reaching a more mature state in their development. Recent trends in the investment promotion activities include the increased use of internet and information technology, concentration and targeting. The Finnish example suggested that the investment promotion agencies focus on the activities of targeting, servicing and relationship building and that the policy advocacy and image building activities are handled by other actors.

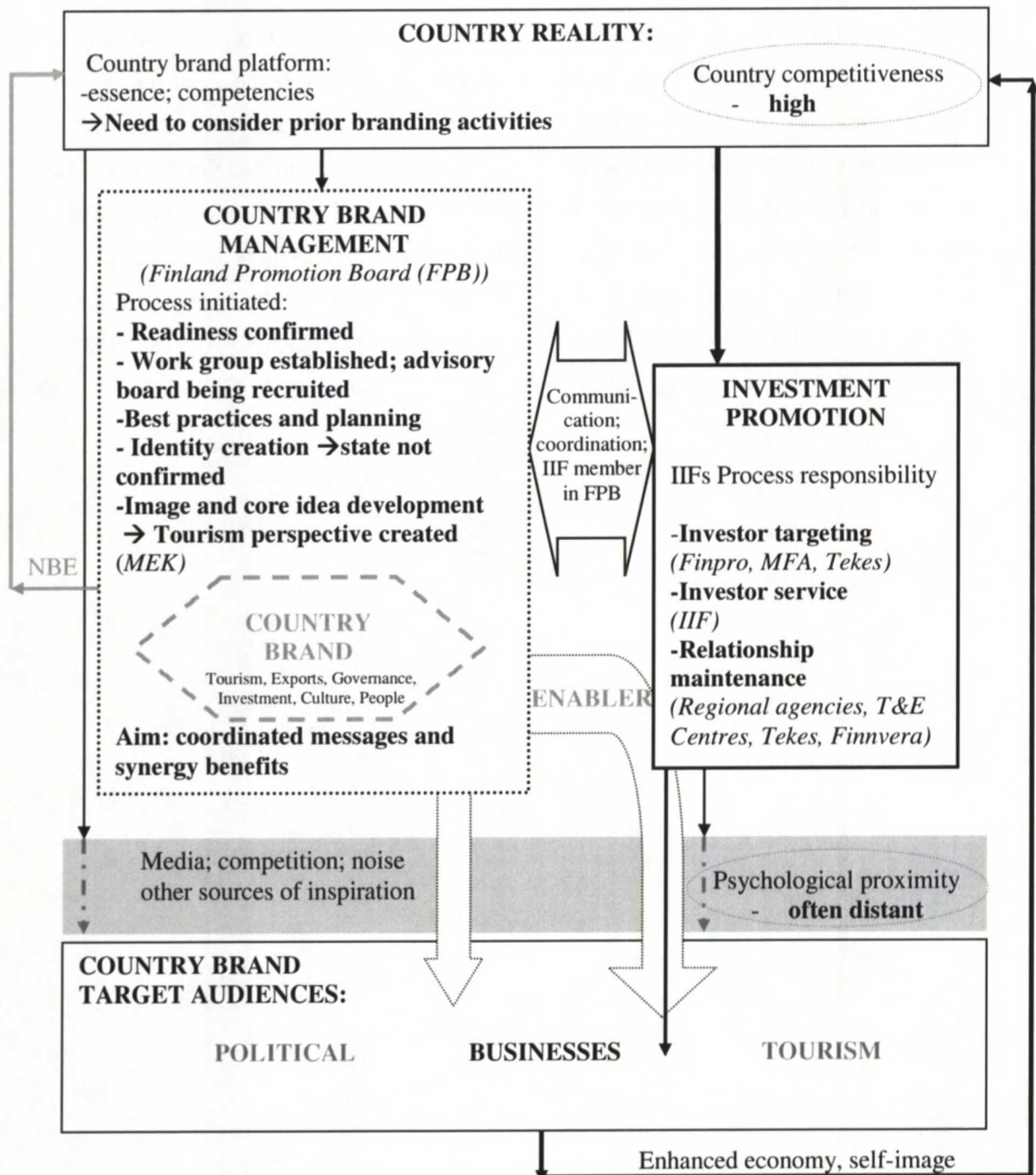
In addition it must be noticed that this study has observed investment promotion activities in a developed OECD country, a member country in the EU. The membership in the EU has its effects on the practices of investment promotion, since the investment climates of countries might seem increasingly similar. Particularly in such cases the country brand might prove as an efficient and positive decision short cut.

Even though this study incorporates empirical evidence, it should be interpreted with caution, since it relates to a single case study data of Finland. Thus the findings are tentative, and generalisation should be avoided.

In the light of the empirical findings, the analysis of empirical results and the above discussion, the revisited theoretical framework for this particular study is presented (Figure

14). The framework presents the current situation of Finland's country branding and investment promotion activities. There are two issues in particular that need to be addressed. First, the two main activities, country brand management and investment promotion, are in different stages in their development; country brand management has very recently been initiated and investment promotion activities have been rather successfully maintained for over a fifteen years. Second, the communication between the two activities is facilitated since the investment promoter, IIF, has membership in FPB, responsible for country brand management. The responsible organisations have been placed on the framework and are marked in *Italic*. The additions regarding the context of Finland have been marked in **bold**; and the factors, activities and issues that are not yet substantial in the context of Finland are highlighted with light grey colour.

Figure 14 Revised theoretical framework



7.3 Policy implications

This section provides recommendations and implications for governments and other bodies aiming at undertaking country branding with the intention of attracting foreign investments. Moreover, these policy implications are directed to the context of this study; Finland.

First, prior to commencing the country branding activities, the readiness of the country should be verified, thus the “product” should be acceptable. It is not suggested that the investment climate should be faultless, but it should be more attractive than the competing countries’. Otherwise, the government should focus on efforts to improve the country’s investment climate rather than on efforts to market the inferior climate.

The country branding activities start by aligning communication. External communication about the country should be handled in a coordinated way in order to strengthen the message and to avoid conflicts. In Finland, the public and private organisations responsible for external communications are already collaborating with each other. The regularisation of *Finland Promotion Board* is assumed to further facilitate the coordination. Still further possibilities to enhance collaboration, to align the messages, as well as to share information in order to achieve synergy benefits and an improved and strengthened image should be sought.

The Finland communicators act already quite proactively to enhance the image of Finland as they take the initiative to invite media representatives to visit Finland on a regular and systematic basis. These activities should be continuously maintained and developed and the resources for the activities should be guaranteed. The media visits to Finland also provide an opportunity to experience the essence of the country brand, which is suggested to increase the preference.

The marketing knowledge of the country brand building actors should be ensured. Public diplomacy and investment promotion activities have generally been managed by government officials who do not necessary possess skills relevant in marketing and

branding. Thus investments in developing employees' skills should be made. Also hiring professionals from the field of marketing might prove beneficial.

Also, financial resources directed to both country branding and investment promotion activities are crucial for success. Basic funding provided by the government should be sufficient and constant. Project financing does not fit well with continuous processes. An interesting possibility to increase the available finances would be to enhance participation of private capital. Currently there seems to be a deficiency of the involvement of private capital in both country branding activities as well as FDI promotion tasks.

Furthermore, the participation of citizens to the country brand creation and strategy setting might increase and facilitate the acceptance of the activities. Partake of inhabitants of the country might prove particularly beneficial when the identity of the country is created. After all the foundations of country branding should be in the reality and people should be encouraged to "live the brand". At minimum an internal communication campaign should be directed to convince the citizens about the necessity of country branding as well as its positive effects for the nations self-image and competitiveness.

Contradictory to the usual opinion that "positive things will promote themselves", meaning reluctance towards marketing communications and advertising, it is now suggested that in order to increase the share of voice in the global media, marketing communications should be utilised. In particular, as the informants affirmed that the "product Finland is top quality" there might be abundance of issues that could be highlighted. As an example, internet might work as a channel for these communication activities. Having advanced and impressive visibility online would help to maintain the image of Finland as a high-tech nation as well as possibly generate positive word-of-mouth (WOM) publicity. WOM publicity in the country context is generally considered more trusted by the public than public diplomacy.

7.4 Suggestions for further research

The topic of country branding and the use of country brand in investment promotion activities has offered an intriguing and challenging research topic, which is current and has not been researched extensively before. The current study provided quite a general view on the relationship between country brand and investment promotion, which constitutes a starting point for future research on the topic. This study proposes that additional theoretical and empirical work is needed to fully understand the relationship between the two activities. In particular, an empirical verification of the relationship between country brand and investment promotion would be interesting since the empirical objectives of this research were only partly attained due to the fact that the country branding effort in Finland is in its initiation phase.

Therefore, current author considers that similar research on the relationship between country branding and investment promotion would prove useful in a context of a country where country branding activities are already on-going, or then repeating the study in the context of Finland in some years as the country branding process has reached more established phase.

When it comes to research on country brands, the current author noticed a rather solid increase in the amount of new publications and studies in the course of the current research. This implies the topicality of the context of the research. However, from the current author's point of view there was scarcity in the studies that dealt with country branding activities in developed countries, whereas several studies discussed these activities in developing countries. Thus, examples of country branding activities in developed nations would, in the future, provide an interesting and relatively novel area for further investigation and strengthen the theories on the topic. Also studying the usability of brand in investment promotion in the differing development circumstances of these types of countries might prove interesting.

Further research is needed to continue the development of the theory of place branding. The rather novel field needs additional work to allow researchers to adopt a common language, and to more specifically define the use of concepts such as *country brand*, *nation brand*, *place brand* and *location brand*.

When it comes to investment promotion activities, an interesting topic for further research would aim at incorporating the concept of country brand to investment promotion activities that were introduced by Wells and Wint (1990; 2000). Moreover, as the field of investment promotion has developed alongside changes in the global investment environment, it might be interesting to revisit the study of Wells and Wint (2000) and examine whether the changes in the environment have had an effect on the activities of investment promotion agencies.

In the context of Finland, the current author considers that it would be fascinating to follow the course of country branding process in the coming years, and examine the possible positive effects of alignment of external communications on the image and awareness of Finland abroad.

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Seppo Kauppila, Ambassador, Embassy of Finland, Dublin, Ireland, 29.1.2008.

Markus Kokko, Director, Finnfacts, Helsinki, 22.1.2008.

Tatu Laurila, CEO, Greater Helsinki Promotion Ltd., Helsinki, 10.1.2008.

Jaakko Lehtonen, Director General, Finnish Tourist Board (MEK), Helsinki, 21.1.2008.

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/ Director, Department for Communication and Culture, Ministry of Foreign Affairs of Finland, Helsinki, 9.1.2008.

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/ Director General, Department for Communication and Culture, Ministry of Foreign Affairs of Finland, Helsinki, 18.1.2008.

APPENDICES

APPENDIX I

Interview guide

TAUSTAKYSEMYKSET

1. Mitkä ovat organisaationne pääasialliset tehtävät / vastualueet?
 - investointien houkuttelu / viennin edistäminen / turismin edistäminen / suomalaisten investointien edistäminen / kulttuurivienti / muu?
2. Miten kuvailisitte organisaationne roolia
 - viestinnässä / kommunikoinnissa Suomesta eri kohderyhmille?
 - Suomikuvan muodostamisessa? (Suomi-brändi?)
 - investointien promovoinnissa?
3. Organisaatiomalli: yksityinen / julkinen?
4. Toimipisteet Suomessa / ulkomailla?

MAABRÄNDÄYS

5. Mitä maabrändäyksellä mielestänne tarkoitetaan?
6. Mitä etuja / haasteita maiden brändäyksessä mielestänne on?

Suomen brändi

7. Miten maabrändäystä Suomessa harjoitetaan?
8. Mikä on tavoitetulos Suomen brändäystyössä?
9. Millainen Suomen brändi mielestänne on? Olisiko Suomen brändin rakentaminen tarpeellista?
10. Pidätkö Suomen brändiä kilpailukyisenä kansainvälisesti? Mitkä ovat sen suurimmat kilpailijat?
11. Ketkä ovat päätoimijat maabrändäysaktiviteeteissa Suomessa?

Finland Promotion Board

12. Finland Promotion Board
 - tavoite?
 - perustaminen?
 - toiminta?
13. Ketkä ovat jäseniä FPB:ssa? jäsenten roolit?
14. Miten nykyisiin jäseniin on päädytty? Näettekö että olisi vielä joitain muita osapuolia joiden olisi hyvä olla mukana toiminnassa?
15. Miten toimijoiden motivointi on hoidettu?
16. Mistä resurssit brändäystoimintaan tulevat?
17. Onko brändäyshanke kohdannut vastustusta?

Maabrändin rakentaminen

18. Mitkä ovat vaiheet maabrändin rakentamisessa Suomessa? Missä vaiheessa toiminta on nyt? Mitkä ovat seuraavat askeleet?
19. Onko tutkimusta tehty Suomen - heikkouksista ja vahvuuksista? mahdollisuuksista ja uhista? imagosta Suomessa ja ulkomailla?
20. Ketkä ovat kohderyhmät Suomea brändätessä? Muokataanko viestiä kohderyhmittäin?
21. Millainen on Suomen tavoiteimago? Ollaanko imagoon tyytyväisiä vai pyritäänkö sitä muokkaamaan? Miten tavoiteimago aiotaan saavuttaa?
22. Miten Suomen brändistä viestitään?
 - suoramainonta / mainostaminen / PR / henkilökohtainen myyntityö
23. Mitkä ovat mielestänne maabrändin tärkeimmät elementit?
 - logo? slogan?
24. Onko tarkoituksenne "kertoa tarinaa" Suomen brändistä jollain tavalla?
 - edustaja (urheilija / julkisuudenhenkilö)? tunnettu rakennus tai paikka? luonto? historian tapahtumat? talouden toimiala?

INVESTOINTIEN HOUKUTTELU

25. Miten investointeja houkutellaan Suomeen?
 - mitkä ovat tärkeimmät aktiviteetit?
 - reaktiivinen / proaktiivinen markkinointi?
26. Ketkä promovointityötä tekevät? Päävastuu?
27. Yhteistyö muiden kuntien / kaupunkien / läänien kanssa? Muut yhteistyökumppanit?
28. Mitkä ovat investointien houkuttelun suurimmat haasteet?

Suomi investointikohteena

29. Millainen kuva Suomeen investointeja tehneillä yrityksillä on Suomesta?
30. Mitkä asiat ovat vaikuttaneet investointipäätökseen? Käytetäänkö insentiivejä?
31. Investointien houkuttelua ajatellen, mitkä ovat suomen vahvuudet ja heikkoudet?
32. Miten Suomen maine / imago / brändi on vaikuttanut investointipäätökseen?
33. Käytetäänkö maabrändiä investointien houkuttelussa?

Organisaatiot

34. Miten paljon henkilöresursseja toimintaan on käytettävissä? henkilöiden maantieteellinen sijainti?
35. Millainen on henkilöstön koulutus / osaaminen? toimiala-asiantuntijuus?
36. Käytetäänkö kolmansien osapuolien palveluita?
37. Pidätkö omaa tietopankkia toteutuneista projekteista / ulkomaisista yrityksistä / potentiaalisista investoijista / suomalaisista partneriehdokkaista?

Ulkoisten investointien houkuttelustrategia

38. Millainen on strategianne investointeja houkuteltaessa?
 - toimialat / kohdemaat / muuta?
39. Miten houkuttelun tuloksellisuutta mitataan? investointitavoitteet, muut indikaattorit

Investointien houkutteluaktiviteetit

Image building:

40. Mitä markkinoinnin keinoja käytätte investointien promovoimiseen?
 - suoramainonta / mainostaminen / PR / henkilökohtainen myyntityö / internet
 - 4P: tuote / hinta / saatavuus / promootio
41. Tuotatteko itse julkaisuja tai markkinointimateriaalia?
42. Millaisin PR aktiviteettejä teillä on? messut? konferenssit? informaatioseminaarien järjestäminen?
43. Pyrittekö toimillanne rakentamaan Suomeen imagoa laajemminkin kuin vain investointikohteena?

Investment generation:

44. Teettekö oheisia toimia:
 - proaktiivinen kontaktointi (kasvotusten / puhelimitse / email)
 - investointien promovointimissiot ulkomailla
 - kontaktoiminen suomalaisten yritysten kanssa
45. Kuinka monta asiakaskontaktia teillä on vuodessa?

Investor service:

46. Millaisia palveluita tarjoatte investoijille (konsultointi?)
47. Vaikuttaako päätösprosessin vaihe palveluihin?

Policy advocacy:

48. Kuuluuko lobbaaminen ja politiikkaan vaikuttaminen toimiinne?

YHTEISTYÖ JA VERKOSTOITUMINEN (*investointien houkuttelu ja maabrändäys*)

Ulkomailla

49. Ketkä ovat tärkeimmät yhteistyökumppaninne? Miten yhteistyö sujuu? Millainen on yhteistyömallinne?
50. Kuuluuko toimintaanne kansainvälistä verkostoitumista?
 - muiden maiden vastaavien organisaatioiden kanssa?
 - NGO:n kanssa?
 - muita yhteistyökumppaneita?

Suomessa

51. Miten hyvin maan sisäinen yhteistyö on järjestetty? Miten hyvin se toimii?
 - Suomen paikalliset investointien houkuttelutoimistot
 - Muut suomalaiset organisaatiot / instituutiot?
 - Yksityinen sektori?

MAAT VS. KAUPUNGIT / ALUEET (*investointien houkuttelu ja maabrändäys*)

52. Mikä on pääkaupunkiseudun rooli Suomessa – investointien houkuttelu? maabrändäys?
53. Mitkä ovat suurimmat erot / yhtäläisyydet aktiviteeteissä maiden ja kaupunkien välillä?
54. Suomen brändäys vs. Helsingin (Pääkaupunkiseudun) brändäys – onko viesteissä eroja?
Onko ristiriitaisuuden vaaraa?

APPENDIX II

Interview request via email

Hyvä vastaanottaja,

Teen parhaillaan pro gradu - tutkielmaa Helsingin kauppakorkeakoulun markkinoinnin laitokselle pääaineenani kansainvälinen liiketoiminta. Tutkielmani käsittelee maiden brändäystä (Country brand), maabrändin luomista, sekä maa/paikkabrändin ja markkinoinnin hyödyntämistä houkuteltaessa ulkomaisia investointeja. Tarkoituksena on luoda viitekehys maabrändille sekä tutkia maabrändin vaikutusta investointipäätöksiin.

Tutkielman empiiristä osuutta varten tulen haastattelemaan maa- ja paikkabrändäyksen, sekä investointien houkuttelun asiantuntijoita Suomessa. Haastattelujen lisäksi tutkimuksen empiiriseen aineistoon kuuluvat muu Suomen brändiä, Suomi-kuvaa ja Suomeen tehtyjä ulkomaisia investointeja koskeva kirjallinen aineisto. Pro gradu - tutkielmani ohjaajana Helsingin kauppakorkeakoulusta toimii KTL Kristiina Korhonen.

Toivottavasti teillä on aikaa haastatteluun tammikuun aikana. Haastattelu tulee kestämään noin tunnin ajan.

Pyytäisin vastaamaan sähköpostitse osoitteeseen _____ jotta voisimme sopia teille parhaiten sopivan ajankohdan.

Tulen lähestymään teitä myös puhelimitse myöhemmin tällä viikolla haastatteluajankohtien merkeissä.

Ystävällisin terveisin,

Martta Valkola

Kauppätieteiden ylioppilas
Helsingin kauppakorkeakoulu